Rexford Industrial Realty, Inc.
Form 10-Q
August 11, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 001-36008

Rexford Industrial Realty, Inc.

(Exact name of registrant as specified in its charter)

MARYLAND	46-2024407
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11620 Wilshire Boulevard, Suite 1000,	
Los Angeles, California	90025

(Address of principal executive offices) (Zip Code)

(310) 966-1680

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer þ Smaller reporting company ¨

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

The number of shares of common stock outstanding at August 5, 2014 was 25,649,026.

REXFORD INDUSTRIAL REALTY, INC.

QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION		
	Item 1	Financial Statements	
		Consolidated Balance Sheets of Rexford Industrial Realty, Inc. as of June 30, 2014 (unaudited) and December 31, 2013 (unaudited)	3
		Consolidated and Combined Statements of Operations of Rexford Industrial Realty, Inc. for the Three and Six Months Ended June 30, 2014 (unaudited) and Rexford Industrial Realty, Inc. Predecessor for the Three and Six Months Ended June 30, 2013 (unaudited)	4
		Consolidated and Combined Statements of Comprehensive Income of Rexford Industrial Realty, Inc. for the Three and Six Months Ended June 30, 2014 and 2013 (unaudited)	5
		Consolidated Statement of Changes in Equity of Rexford Industrial Realty, Inc. for the Six Months Ended June 30, 2014 (unaudited)	6
		Consolidated and Combined Statements of Cash Flows of Rexford Industrial Realty, Inc. for the Six Months Ended June 30, 2014 (unaudited) and Rexford Industrial Realty, Inc. Predecessor for the Six Months Ended June 30, 2013 (unaudited)	7
		Notes to the Consolidated and Combined Financial Statements of Rexford Industrial Realty, Inc. and Rexford Industrial Realty, Inc. Predecessor	8
	Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
	Item 3	Quantitative and Qualitative Disclosures About Market Risk	48
	Item 4	Controls and Procedures	49
PART II.	OTHER INFORMATION		
	Item 1	Legal Proceedings	50
	Item 1A	Risk Factors	50
	Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	50
	Item 3	Defaults Upon Senior Securities	50
	Item 4	Mine Safety Disclosures	50
	Item 5	Other Information	50
	Item 6	Exhibits	51
	Signatures		52

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Land	$298,705,000	$216,879,000
Buildings and improvements	403,639,000	312,216,000
Tenant improvements	17,834,000	13,267,000
Furniture, fixtures, and equipment	188,000	188,000
Total real estate held for investment	720,366,000	542,550,000
Accumulated depreciation	(66,572,000)	(58,978,000)
Investments in real estate, net	653,794,000	483,572,000
Cash and cash equivalents	9,272,000	8,997,000
Restricted cash	379,000	325,000
Notes receivable	13,136,000	13,139,000
Rents and other receivables, net	1,467,000	929,000
Deferred rent receivable, net	4,213,000	3,642,000
Deferred leasing costs, net	2,650,000	2,164,000
Deferred loan costs, net	3,197,000	1,597,000
Acquired lease intangible assets, net	22,652,000	13,622,000
Acquired indefinite-lived intangible	5,271,000	5,271,000
Other assets	2,583,000	2,322,000
Acquisition related deposits	1,450,000	1,510,000
Investment in unconsolidated real estate entities	5,758,000	5,687,000
Assets associated with real estate held for sale	-	11,898,000
Total Assets	$725,822,000	$554,675,000
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$369,873,000	$192,491,000
Accounts payable, accrued expenses and other liabilities	6,281,000	6,024,000
Dividends payable	3,075,000	5,368,000
Acquired lease intangible liabilities, net	1,977,000	1,160,000
Tenant security deposits	7,451,000	6,155,000
Prepaid rents	964,000	1,448,000
Liabilities associated with real estate held for sale	-	260,000
Total Liabilities	389,621,000	212,906,000
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
	255,000	255,000

Common Stock, $0.01 par value 490,000,000 authorized and 25,623,645 and 25,559,886 outstanding at June 30, 2014 and December 31, 2013, respectively		
Additional paid in capital	312,451,000	311,936,000
Accumulated other comprehensive income	(410,000)	-
Accumulated deficit	(10,784,000)	(5,993,000)
Total stockholders' equity	301,512,000	306,198,000
Noncontrolling interests	34,689,000	35,571,000
Total Equity	336,201,000	341,769,000
Total Liabilities and Equity	$725,822,000	$554,675,000

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

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	Rexford Industrial Realty, Inc.	Rexford Industrial Realty, Inc. Predecessor	Rexford Industrial Realty, Inc.	Rexford Industrial Realty, Inc. Predecessor
RENTAL REVENUES				
Rental revenues	$12,773,000	$9,062,000	$24,401,000	$16,822,000
Tenant reimbursements	1,681,000	1,112,000	3,192,000	1,959,000
Management, leasing and development services	249,000	170,000	483,000	431,000
Other income	15,000	49,000	57,000	167,000
TOTAL RENTAL REVENUES	14,718,000	10,393,000	28,133,000	19,379,000
Interest income	278,000	324,000	554,000	635,000
TOTAL REVENUES	14,996,000	10,717,000	28,687,000	20,014,000
OPERATING EXPENSES				
Property expenses	3,892,000	2,835,000	8,026,000	5,234,000
General and administrative	2,780,000	1,396,000	5,385,000	2,535,000
Depreciation and amortization	6,003,000	3,514,000	12,133,000	6,134,000
TOTAL OPERATING EXPENSES	12,675,000	7,745,000	25,544,000	13,903,000
OTHER (INCOME) EXPENSE				
Acquisition expenses	652,000	624,000	985,000	717,000
Interest expense	1,537,000	4,386,000	2,788,000	8,161,000
Gain on mark-to-market of interest rate swaps	-	-	-	(49,000)
TOTAL OTHER EXPENSE	2,189,000	5,010,000	3,773,000	8,829,000
TOTAL EXPENSES	14,864,000	12,755,000	29,317,000	22,732,000
Equity in loss from unconsolidated real estate entities	(51,000)	(712,000)	(6,000)	(925,000)
Gain from early repayment of note receivable	-	-	-	1,365,000
Loss on extinguishment of debt	-	-	-	(37,000)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	81,000	(2,750,000)	(636,000)	(2,315,000)
DISCONTINUED OPERATIONS				
Income (loss) from discontinued operations before gain on sale of real estate and loss on extinguishment of debt	-	(257,000)	21,000	(838,000)
Loss on extinguishment of debt	-	(41,000)	-	(250,000)
Gain on sale of real estate	-	2,580,000	2,125,000	4,989,000
INCOME FROM DISCONTINUED OPERATIONS	-	2,282,000	2,146,000	3,901,000
NET INCOME (LOSS)	81,000	(468,000)	1,510,000	1,586,000
Net (income) loss attributable to noncontrolling interests	(8,000)	(1,818,000)	(160,000)	(3,544,000)
	$73,000	$(2,286,000)	$1,350,000	$(1,958,000)

NET INCOME (LOSS) ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC. STOCKHOLDERS		
Income (loss) from continuing operations available to common stockholders per share - basic and diluted	$-	$(0.02)
Net income available to common stockholders per share - basic and diluted	$-	$0.05
Weighted average shares of common stock outstanding - basic and diluted	25,419,757	25,419,588
Dividends declared per common share	$0.12	$0.24

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

4

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss)	$81,000	$(468,000)	$1,510,000	$1,586,000
Other comprehensive loss: cash flow hedge adjustment	(759,000)	-	(459,000)	-
Comprehensive (loss) income	(678,000)	(468,000)	1,051,000	1,586,000
Less: comprehensive loss (income) attributable to noncontrolling interests	72,000	(1,818,000)	(111,000)	(3,544,000)
Comprehensive (loss) income attributable to common stockholders	$(606,000)	$(2,286,000)	$940,000	$(1,958,000)

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Rexford Industrial Realty, Inc.							
	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2014	25,559,886	$255,000	$311,936,000	$(5,993,000)	$-	$306,198,000	$35,571,000	$341,769,000
Issuance of restricted stock	89,048	-	-	-	-	-	-	-
Forfeiture of restricted stock	(25,289)	-	-	-	-	-	-	-
Offering costs	-	-	(6,000)	-	-	(6,000)	-	(6,000)
Amortization of stock based compensation	-	-	521,000	-	-	521,000	-	521,000
Dividends	-	-	-	(6,141,000)	-	(6,141,000)	-	(6,141,000)
Distributions	-	-	-	-	-	-	(993,000)	(993,000)
Net income	-	-	-	1,350,000	-	1,350,000	160,000	1,510,000
Other comprehensive loss	-	-	-	-	(410,000)	(410,000)	(49,000)	(459,000)
Balance at June 30, 2014	25,623,645	$255,000	$312,451,000	$(10,784,000)	$(410,000)	$301,512,000	$34,689,000	$336,201,000

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

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	2014	2013
	Rexford Industrial Realty, Inc.	Rexford Industrial Realty, Inc. Predecessor
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,510,000	$1,586,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in loss of unconsolidated real estate entities	6,000	925,000
Depreciation and amortization	12,133,000	6,134,000
Depreciation and amortization included in discontinued operations	7,000	762,000
Amortization of above (below) market lease intangibles, net	154,000	212,000
Accretion of discount on notes receivable	(129,000)	(94,000)
Loss on extinguishment of debt	-	287,000
Gain on sale of real estate	(2,125,000)	(4,989,000)
Amortization of loan costs	273,000	657,000
Gain on mark-to-market interest rate swaps	-	(49,000)
Accretion of premium on notes payable	(46,000)	-
Deferred interest expense	-	530,000
Equity based compensation expense	451,000	85,000
Gain from early repayment of notes receivable	-	(1,365,000)
Change in working capital components:	-	
Rents and other receivables	(538,000)	(125,000)
Deferred rent receivable	(579,000)	(217,000)
Change in restricted cash	-	(116,000)
Leasing commissions	(879,000)	(606,000)
Other assets	(220,000)	(1,068,000)
Accounts payable, accrued expenses and other liabilities	(41,000)	(836,000)
Tenant security deposits	535,000	495,000
Prepaid rent	(1,137,000)	194,000
Net cash provided by operating activities	9,375,000	2,402,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(174,287,000)	(73,332,000)
Capital expenditures	(4,221,000)	(1,205,000)
Acquisition related deposits	60,000	50,000
Contributions to unconsolidated real estate entities	(105,000)	-
Distributions from unconsolidated real estate entities	28,000	237,000
Change in restricted cash	(54,000)	(71,000)

Principal repayments of notes receivable	132,000	5,494,000
Disposition of investment in real estate	13,790,000	21,537,000
Net cash used in investing activities	(164,657,000)	(47,290,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	171,000,000	55,459,000
Repayment of notes payable	(4,137,000)	(21,078,000)
Deferred loan costs	(1,873,000)	(800,000)
Offering costs	(6,000)	-
Prepaid offering costs	-	(1,524,000)
Capital contributions from Predecessor members	-	1,156,000
Distributions to Predecessor members	-	(5,695,000)
Reimbursements due to Predecessor members	-	(1,221,000)
Dividends paid to common stockholders	(8,434,000)	-
Distributions paid to common unitholders	(993,000)	-
Change in restricted cash	-	43,000
Net cash provided by financing activities	155,557,000	26,340,000
Increase (Decrease) in Cash and Equivalents	275,000	(18,548,000)
Cash and cash equivalents, beginning of period	8,997,000	43,499,000
Cash and cash equivalents, end of period	$9,272,000	$24,951,000

See Notes 3 and 6 for significant noncash investing and financing activities

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

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(Unaudited)

1. Organization

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service real estate investment trust (“REIT”) focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily located in Southern California infill markets. As of June 30, 2014, our consolidated portfolio consisted of 82 properties with approximately 7.9 million rentable square feet. We also own a 15% interest in a joint venture that owns three properties with approximately 1.2 million square feet, which we also manage. In addition, we currently manage an additional 20 properties with approximately 1.2 million rentable square feet.

We did not have any meaningful operating activity until the consummation of our initial public offering (“IPO”) and the related acquisition of certain assets of our predecessor as part of our formation transactions on July 24, 2013. The historical financial results in these financial statements for the three and six months ended June 30, 2013 relate to our accounting predecessor. Our Predecessor is comprised of Rexford Industrial, LLC (“RILLC”), Rexford Sponsor V, LLC (“Sponsor”), Rexford Industrial Fund V REIT, LLC (“RIF V REIT”) and their consolidated subsidiaries, which consist of Rexford Industrial Fund I, LLC (“RIF I”), Rexford Industrial Fund II, LLC (“RIF II”), Rexford Industrial Fund III, LLC (“RIF III”), Rexford Industrial Fund IV, LLC (“RIF IV”), Rexford Industrial Fund V, LP (“RIF V”) and their subsidiaries (collectively the “Predecessor Funds”). The entities comprising Rexford Industrial Realty, Inc. Predecessor are combined on the basis of common management and common ownership.

The terms “us,” “we,” “our,” and the “Company” as used in these financial statements refer to Rexford Industrial Realty, Inc. and its subsidiaries (including our Operating Partnership) subsequent to our IPO on July 24, 2013 and our predecessor prior to that date (“Predecessor” or “Rexford Industrial Realty, Inc. Predecessor”).

Basis of Presentation

As of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014, the financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. The financial statements presented for the three and six months ended June 30, 2013, are the combined financial statements of our Predecessor. All of the outside ownership interests in entities that our Predecessor consolidates are included in non-controlling interests. All significant intercompany balances and transactions have been eliminated in the consolidated and combined financial statements.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements

include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The interim financial statements should be read in conjunction with the combined and consolidated financial statements in our 2013 Annual Report on Form 10-K and the notes thereto. Any references to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts in the consolidated and combined financial statements and accompanying notes. Actual results could differ from those estimates.

We consolidate all entities that are wholly owned and those in which we own less than 100% but control, as well as any variable interest entities in which we are the primary beneficiary. We evaluate our ability to control an entity and whether the entity is a variable interest entity and we are the primary beneficiary through consideration of the substantive terms of the

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

arrangement to identify which enterprise has the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Investments in entities in which we do not control but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that we do not control and over which we do not exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our ability to correctly assess our influence and/or control over an entity affects the presentation of these investments in our consolidated and combined financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short term maturity of these investments.

Discontinued Operations

The revenue, expenses, impairment and/or gain on sale of operating properties that meet the applicable criteria are reported as discontinued operations in the consolidated and combined statements of operations for all periods presented. A gain on sale, if any, is recognized in the period during which the property is disposed. In addition, all amounts for all prior periods presented are reclassified from continuing operations to discontinued operations.

In determining whether to report the results of operations, impairment and/or gain on sale of operating properties as discontinued operations, we evaluate whether we have any significant continuing involvement in the operations, leasing or management of the property after disposition. If we determine that we have significant continuing involvement after disposition, we report the revenue, expenses, impairment and/or gain on sale as part of continuing operations.

Held for Sale Assets

We classify properties as held for sale when certain criteria set forth in the Long-Lived Assets Classified as Held for Sale Subsections of ASC Topic 360: Property, Plant, and Equipment, are met. At that time, the assets and liabilities of the property held for sale are presented separately in the consolidated and combined balance sheets and we cease recording depreciation and amortization expense at the time a property is classified as held for sale. Properties held for sale are reported at the lower of their carrying value or their estimated fair value, less estimated costs to sell. In addition, the assets and liabilities of the property are reclassified and presented separately for all comparative periods.

Investment in Real Estate

Acquisitions

When we acquire operating properties, with the intention to hold the investment for the long-term, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component. The components typically include land, building and improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. The initial allocation of the purchase price is based on management's preliminary assessment, which may differ when final information becomes available. Subsequent adjustments made to the initial purchase price allocation are made within the allocation period, which typically does not exceed one year.

We allocate the purchase price to the fair value of the tangible assets by valuing the property as if it were vacant. We consider Level 3 inputs such as the replacement cost of such assets, appraisals, property condition reports, comparable market rental data and other related information.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

In determining the fair value of intangible lease assets or liabilities, we consider Level 3 inputs including the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property and lease commencement. 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, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been 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 the property to this occupancy level.

The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to “interest expense” over the life of the debt assumed. The valuation of assumed liabilities is based on our estimate of the current market rates for similar liabilities in effect at the acquisition date.

For acquisitions that do not meet the accounting criteria to be accounted for as a business combination, we record to land and building the purchase price paid and capitalize the associated acquisition costs.

Capitalization of Costs

We capitalize costs incurred in developing, renovating, rehabilitating, and improving real estate assets as part of the investment basis. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred. During the land development and construction periods, we capitalize insurance, real estate taxes and certain general and administrative costs of the personnel performing development, renovations, and rehabilitation if such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. Capitalized costs are included in the investment basis of real estate assets.

Depreciation and Amortization

Real estate, including land, building and land improvements, tenant improvements, and furniture, fixtures and equipment, leasing costs and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value as discussed below in our policy with regards to impairment of long-lived assets. We estimate the depreciable portion of our real estate assets and related useful lives in order to record depreciation expense. Our ability to estimate the depreciable portions of our real estate assets and useful lives is critical to the determination of the appropriate amount of depreciation and amortization expense recorded and the carrying value of the underlying assets. Any change to the assets to be depreciated and the estimated depreciable lives of these assets would have an impact on the depreciation expense recognized.

The values allocated to buildings, site improvements, in-place leases, tenant improvements and leasing costs are depreciated on a straight-line basis using an estimated remaining life of 10-30 years for buildings, 20 years for site

improvements, and the shorter of the estimated useful life or respective lease term for tenant improvements.

As discussed above, in connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to "rental revenues" over the reasonably assured term of the related leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our consolidated financial statements over the shorter of the expected life of such assets and liabilities or the remaining lease term.

Our estimate of the useful life of our assets is evaluated upon acquisition and when circumstances indicate a change in the useful life, which requires significant judgment regarding the economic obsolescence of tangible and intangible assets.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of ASC Topic 360: Property, Plant, and Equipment, we assess the carrying values of our respective long-lived assets, including goodwill, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. In order to review real estate assets for recoverability, we consider current market conditions, as well as our intent with respect to holding or disposing of the asset. The intent with regard to the underlying assets might change as market conditions change, as well as other factors. Fair value is determined through various valuation techniques; including discounted cash flow models, applying a capitalization rate to estimated net operating income of a property, quoted market values and third party appraisals, where considered necessary. The use of projected future cash flows is based on assumptions that are consistent with estimates of future expectations and the strategic plan used to manage our underlying business. If our analysis indicates that the carrying value of the real estate asset is not recoverable on an undiscounted cash flow basis, we will recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

Assumptions and estimates used in the recoverability analyses for future cash flows, discount rates and capitalization rates are complex and subjective. Changes in economic and operating conditions or our intent with regard to our investment that occur subsequent to our impairment analyses could impact these assumptions and result in future impairment of our real estate properties.

At June 30, 2014 and December 31, 2013, our investment in real estate has been recorded net of a cumulative impairment of $18.6 million.

Acquired Indefinite-Lived Intangibles

Acquired indefinite-lived intangibles represent the fair value of the management contracts in-place at the time of the contribution of Sponsor, RIF V REIT and their consolidated subsidiaries to the Operating Partnership as part of our formation transactions. The asset has an indefinite life, and, accordingly, is not amortized.

Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our initial taxable year ended December 31, 2013. To qualify as a REIT, we are required (among other things) to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to qualify as a REIT in any taxable year, and were unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

In addition, we are subject to taxation by various state and local jurisdictions, including those in which we transact business or reside. Our non-taxable REIT subsidiaries, including our Operating Partnership, are either partnerships or disregarded entities for federal income tax purposes. Under applicable federal and state income tax rules, the allocated share of net income or loss from disregarded entities (including limited partnerships and S-Corporations) is reportable

in the income tax returns of the respective partners and stockholders. Accordingly, no income tax provision is included in the accompanying consolidated financial statements for the three and six months ended June 30, 2014.

Each of RIF I, RIF II, RIF III and RIF IV are limited liability companies but have elected to be taxed as a partnership for tax purposes. As such, the allocated share of net income or loss from the limited liability companies is reportable in the income tax returns of the respective partners and investors. Accordingly, no income tax provision is included in the accompanying combined financial statements.

RIF V REIT has elected to be taxed as a REIT under the Code, commencing with its tax period ended December 31, 2010. We believe that RIF V REIT met all of the REIT distribution and technical requirements for the three and six months ended June 30, 2013, and accordingly, has not recognized any provision for income taxes.

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2014 and December 31, 2013, we have not established a liability for uncertain tax positions.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

Derivative Instruments and Hedging Activities

FASB ASC Topic 815: Derivatives and Hedging ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, and whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 8.

Revenue Recognition

We recognize revenue from rent, tenant reimbursements and other revenue sources once all of the following criteria are met: persuasive evidence of an arrangement exists, the delivery has occurred or services rendered, the fee is fixed and determinable and collectability is reasonably assured. Minimum annual rental revenues are recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space.

Estimated reimbursements from tenants for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenues in the period that the expenses are incurred. Subsequent to year-end, we perform final reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. Lease termination fees, which are included in rental revenues in the accompanying consolidated and combined statements of operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to such former tenant.

Revenues from management, leasing and development services are recognized when the related services have been provided and earned.

The recognition of gains on sales of real estate requires us to measure the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances. See Note 13 for discussion of dispositions.

Valuation of Receivables

We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make

required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods. We had a $0.9 million and $0.5 million reserve for allowance for doubtful accounts as of June 30, 2014 and December 31, 2013, respectively.

Equity Based Compensation

We account for equity-based compensation, including shares of restricted stock, in accordance with ASC Topic 718 Compensation – Stock Compensation, which requires us to recognize an expense for the fair value of equity-based compensation awards. The estimated fair value of shares of restricted stock are amortized over their respective vesting periods. See Note 14.

Earnings Per Share

Basic earnings per share is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average shares of common stock outstanding for the period. Diluted earnings per share is computed using the weighted average shares of common stock outstanding determined for the basic earnings per share computation plus the effect of any dilutive securities, including the dilutive effect of unvested restricted common stock using the treasury stock method. See Note 15.

Segment Reporting

Management views the Company as a single segment based on its method of internal reporting in addition to its allocation of capital and resources.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of ASUs to the FASB's Accounting Standards Codification. We consider the applicability and impact of all ASUs.

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 establishes principles for reporting the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for us in the first quarter of 2017 and will replace most existing revenue recognition guidance within GAAP. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating ASU 2014-09 to determine its impact on our consolidated financial statements and related

disclosures, as well as the transition method to apply the new standard.

On April 14, 2014, the FASB issued ASU 2014-08: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity's results and operations would qualify as discontinued operations. In addition, ASU 2014-08 (1) expands the disclosure requirements for disposals that meet the definition of a discontinued operation, (2) requires entities to disclose information about disposals of individually significant components, and (3) defines "discontinued operations" similarly to how it is defined under IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations." ASU 2014-08 is effective for us in the first quarter of 2015 and early adoption is permitted for any annual or interim period for which an entity's financial statements have not yet been made available for issuance. The adoption of ASU 2014-08 is prospective and will likely result in less property sales being classified as discontinued operations.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

3. Investments in Real Estate
Acquisitions

On January 15, 2014, we acquired the property located at 7110 Rosecrans Avenue located in Paramount, CA for a contract price of $4.969 million using proceeds from our revolving credit facility. The property consists of one industrial building totaling 72,000 square foot situated on 3.25 acres of land.

On January 22, 2014, we acquired the property located at 14723-14825 Oxnard Street in Van Nuys, CA for a contract price of $8.875 million using proceeds from our revolving credit facility. The property consists of a six-building multi-tenant industrial business park totaling 78,000 square feet situated on 3.25 acres of land.

On February 12, 2014, we acquired the property located at 845, 855, and 865 Milliken Avenue and 4317 and 4319 Santa Ana Street in Ontario, CA for a contract price of $8.55 million as part of a 1031 exchange using proceeds from the disposition of our property located at 1335 Park Center Drive. The property consists of a five-building multi-tenant industrial business park totaling 113,612 square feet situated on 5.74 acres of land.

On February 25, 2014, we acquired the property located at 1500-1510 W. 228th Street in Los Angeles, CA for a contract price of $6.6 million. A portion of the acquisition was funded with the remaining proceeds from the disposition of 1335 Park Center Drive, and the remainder of the funding was provided from availability under our revolving credit facility. The property consists of a six-building multi-tenant industrial complex totaling 88,330 square feet situated on 3.9 acres of land.

On March 20, 2014, we acquired the property located at 24105 and 24201 Frampton Avenue in Los Angeles, California for a contract price of $3.93 million using proceeds from our revolving credit facility. The property consists of one single-tenant building totaling 47,903 square feet situated on 2.07 acres of land.

On April 17, 2014, we acquired the property located at 1700 Saturn Way in Seal Beach, California for a contract price of $21.1 million using proceeds from our revolving credit facility. The property consists of one single-tenant building totaling 170,865 square feet situated on 9.25 acres of land.

On May 30, 2014, we acquired the property located at 2980 and 2990 N. San Fernando Boulevard in Burbank, California for a contract price of $15.425 million. We funded the acquisition in part by assuming a $10.3 million first mortgage loan secured by the property and used proceeds from our revolving credit facility to fund the remaining purchase price. The property consists of one single-tenant building totaling 130,800 square feet situated on 5.86 acres of land.

On May 30, 2014, we acquired the property located at 20531 Crescent Bay Drive in Lake Forest, California for a contract price of $6.48 million using proceeds from our revolving credit facility. The property consists of one single-tenant building totaling 46,178 square feet situated on 2.47 acres of land.

On June 5, 2014, we acquired the property located at 2610 and 2701 S. Birch Street in Santa Ana, California for a contract price of $11.0 million using funds from our revolving credit facility. The property consists of two single-tenant buildings totaling 98,105 square feet situated on 7.9 acres of land.

On June 24, 2014, we acquired the property located at 4051 Santa Ana Street and 701 Dupont Avenue in Ontario, California for a contract price of $10.2 million using funds from our revolving credit facility. The property consists of a two-building multi-tenant industrial business park totaling 111,890 square feet situated on 5.66 acres of land.

On June 27, 2014, we acquired an industrial portfolio consisting of nine properties located in the San Gabriel Valley, Orange County, and San Diego submarkets of California for a contract price of $88.5 million. We partially funded the acquisition with a new $48.5 million term loan secured by certain properties in the portfolio. The remaining purchase price was funded by using proceeds from our revolving credit facility. The portfolio consists of four single-tenant properties and five multi-tenant properties totaling 817,166 square feet situated on an aggregate 43.6 acres of land.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

During the six months ended June 30, 2013, our predecessor acquired four properties consisting of 17 buildings and approximately 740,525 square feet. The properties are located throughout Southern California. The total contract price for those acquisitions was $73.8 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

		Real estate assets:		Acquisition-related intangibles					
ress	Acquisition Date	Land	Buildings and Improvements[1]	In-place Lease Intangibles	Net Above (Below) Market Lease Intangibles[2]	Total Purchase Price	Other Assets	Notes Payable, Accounts Payable, Accrued Expenses and Tenant Security Deposits	Net Assets Acquired
4 uisitions									
0 ecrans nue[3]	1/15/2014	$3,117,000	$1,894,000	$-	$-	$5,011,000	$-	$(321,000)	$4,690,00
23-14825 ard Street	1/22/2014	$4,458,000	$3,948,000	$490,000	$(21,000)	$8,875,000	$-	$(117,000)	$8,758,00
, 855, & Milliken nue and 7 & 4319 ta Ana et	2/12/2014	$2,260,000	$6,043,000	$431,000	$(184,000)	$8,550,000	$2,000	$(116,000)	$8,436,00
0-1510 st 228th	2/25/2014	$2,428,000	$4,271,000	$205,000	$(304,000)	$6,600,000	$-	$(34,000)	$6,566,00

et									
05 & 01 mpton nue	3/20/2014	$2,315,000	$1,553,000	$62,000	$-	$3,930,000	$22,000	$(64,000)	$3,888,000
0 Saturn y	4/17/2014	$7,935,000	$10,525,000	$2,259,000	$381,000	$21,100,000	$76,000	$(73,000)	$21,103,00
31 scent Bay ve	5/30/2014	$2,181,000	$4,012,000	$389,000	$(102,000)	$6,480,000	$4,000	$(2,000)	$6,482,000
0 & 2990 San nando d.[4]	5/30/2014	$6,373,000	$7,356,000	$1,276,000	$728,000	$15,733,000	$-	$(10,572,000)	$5,161,000
0 & 2701 Birch et[5]	6/5/2014	$9,305,000	$2,114,000	$-	$-	$11,419,000	$5,000	$(299,000)	$11,125,00
1 Santa St. & Dupont .	6/24/2014	$3,725,000	$6,145,000	$524,000	$(194,000)	$10,200,000	$1,000	$(90,000)	$10,111,00
5 ribution nue	6/27/2014	$1,863,000	$3,211,000	$451,000	$(100,000)	$5,425,000	$2,000	$(97,000)	$5,330,000
5 ribution nue	6/27/2014	$2,733,000	$5,041,000	$621,000	$130,000	$8,525,000	$5,000	$(39,000)	$8,491,000
0 Cabot ve	6/27/2014	$4,311,000	$6,126,000	$538,000	$-	$10,975,000	$2,000	$(54,000)	$10,923,00
4 Cabot ve	6/27/2014	$2,413,000	$3,451,000	$346,000	$190,000	$6,400,000	$1,000	$(6,000)	$6,395,000
5 Cabot ve	6/27/2014	$4,423,000	$6,799,000	$851,000	$27,000	$12,100,000	$1,000	$(13,000)	$12,088,00
55-14971 alt Lake y	6/27/2014	$5,126,000	$5,009,000	$800,000	$(85,000)	$10,850,000	$3,000	$(119,000)	$10,734,00
5 E. nter nue	6/27/2014	$5,240,000	$5,065,000	$866,000	$158,000	$11,329,000	$15,000	$(76,000)	$11,268,00
0 W. ey Blvd.	6/27/2014	$3,982,000	$4,796,000	$566,000	$287,000	$9,631,000	$1,000	$(119,000)	$9,513,000
1 Alton kway	6/27/2014	$7,638,000	$4,946,000	$419,000	$273,000	$13,276,000	$1,000	$(52,000)	$13,225,00
al		$81,826,000	$92,305,000	$11,094,000	$1,184,000	$186,409,000	$141,000	$(12,263,000)	$174,287,0
3 decessor uisitions:									
18-18120 Broadway	4/4/2013	$3,013,000	$2,161,000	$274,000	$-	$5,448,000	$16,000	$(57,000)	$5,407,000

0-8980 son Ave., 7 Arrow hway	4/9/2013	$1,817,000	$4,590,000	$552,000	$191,000	$7,150,000	$20,000	$(104,000)	$7,066,000
0 Tyburn 3332, 4, 3360, 8, 3370, 8, 3380, 0, 3424 San nando Rd.	4/17/2013	$26,423,000	$25,795,000	$2,568,000	$1,414,000	$56,200,000	$168,000	$(500,000)	$55,868,00
1 240th	5/31/2013	$3,464,000	$1,498,000	$38,000	$-	$5,000,000	$8,000	$(17,000)	$4,991,000
		$34,717,000	$34,044,000	$3,432,000	$1,605,000	$73,798,000	$212,000	$(678,000)	$73,332,00

(1) The weighted average amortization period of acquired in-place lease intangibles for our 2014 acquisitions was 3.3 years as of June 30, 2014.

15

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

(2) The weighted average amortization period of net below market leases for our 2014 acquisitions was 3.4 years as of June 30, 2014.
(3) As the purchase of 7110 Rosecrans Avenue was accounted for as an asset acquisition, the total purchase price allocation includes $42,000 of capitalized acquisition costs.
(4) In connection with the acquisition of 2980 and 2990 N. San Fernando Blvd. acquisition, we assumed debt with an outstanding principal balance of $10.3 million and an initial fair value premium of $308,000.
(5) As the purchase of 2610 and 2701 S. Birch Street was accounted for as an asset acquisition, the total purchase price allocation includes $121,000 of capitalized acquisition costs. Additionally, as part of the purchase price allocation, $299,000 was allocated to deferred liabilities (included in Accounts payable, accrued expenses and other liabilities on the balance sheet), related to the six-months of free rent provided to the seller as part of the acquisition.

The preliminary allocation of the purchase price is based upon a preliminary valuation and our estimates and assumptions are subject to change within the purchase price allocation period (generally one year from the acquisition date).

The following table summarizes the combined results from operations of our 2014 acquisitions since the acquisition date, included in the consolidated income statement for the following period:

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenues	$1,322,000	$1,693,000
Net Income	$286,000	$209,000

The following table presents unaudited pro-forma financial information as if the closing of our 2014 acquisitions had occurred on January 1, 2013. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions, and increased interest expense for borrowings associated with our 2014 acquisitions. These unaudited pro-forma results do not purport to be indicative of what operating results would have been had the acquisitions actually occurred on January 1, 2013 and may not be indicative of future operating results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	$17,169,000	$14,008,000	$33,938,000	$26,610,000
Net operating income	$12,276,000	$10,049,000	$23,706,000	$19,036,000

Net income	$368,000	$(943,000)	$990,000	$(359,000)

16

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

4. Intangible Assets

The following table summarizes our acquired lease intangible assets, including the value of in-place leases and above-market tenant leases, and our acquired lease intangible liabilities, including below-market tenant leases and above-market ground leases as follows:

	June 30, 2014	December 31, 2013
Acquired Lease Intangible Assets:		
In-place lease intangibles	$27,226,000	$16,321,000
Accumulated amortization	(8,017,000)	(4,296,000)
In-place lease intangibles, net	19,209,000	12,025,000
Above-market tenant leases	4,087,000	1,881,000
Accumulated amortization	(644,000)	(284,000)
Above-market tenant leases, net	3,443,000	1,597,000
Acquired lease intangible assets, net	$22,652,000	$13,622,000
Acquired Lease Intangible Liabilities:		
Below-market tenant leases	(2,092,000)	(1,081,000)
Accumulated accretion	376,000	198,000
Below-market tenant leases, net	(1,716,000)	(883,000)
Above-market ground lease	(290,000)	(290,000)
Accumulated accretion	29,000	13,000
Above-market ground lease, net	(261,000)	(277,000)
Acquired lease intangible liabilities, net	$(1,977,000)	$(1,160,000)

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the three and six months ended June 30, 2014 and 2013:

	Three Months Ended June 30,	The Predecessor	Six Months Ended June 30,	The Predecessor
	2014	2013	2014	2013
In-place lease intangibles[(1)]	$1,824,000	$ 664,000	$3,910,000	$ 1,065,000

Above-market tenant leases[2]	$194,000	$ 158,000	$360,000	$209,000
Below-market tenant leases[3]	$(113,000)	$ (6,000)	$(190,000)	$(14,000)
Above-market ground lease[4]	$(8,000)	$ -	$(16,000)	$ -

(1) The amortization of in-place lease intangibles is recorded to depreciation and amortization expense in the consolidated and combined statements of operations for the periods presented.
(2) The amortization of above-market tenant leases is recorded as a decrease to rental revenues in the consolidated and combined statements of operations for the periods presented.
(3) The accretion of below-market tenant leases is recorded as an increase to rental revenues in the consolidated and combined statements of operations for the periods presented.
(4) The accretion of the above-market ground lease is recorded as a decrease to property expenses in the consolidated and combined statements of operations for the periods presented.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

5. Notes Receivable

On February 8, 2013, the mortgage note borrower for the 2824 E. Foothill Blvd. loan repaid, ahead of schedule, the outstanding principal in full. Our Predecessor received gross proceeds from this payoff of $5.4 million, including $6,310 in per diem interest, of which $2.5 million was used to repay the loan secured by this note. The remaining proceeds were paid as a distribution to investors in RIF V. Our Predecessor recorded a $1.4 million gain on collection of notes receivable during the six months ended June 30, 2013.

The following table summarizes the balance of our notes receivable:

	June 30, 2014	December 31, 2013
Face Amount	$14,030,000	$14,161,000
Unrecognized Accretable Yield	(894,000)	(1,022,000)
Note Receivable[(1)]	$13,136,000	$13,139,000

(1) This is a mortgage loan secured by 32401-32803 Calle Perfecto.

6. Notes Payable

The following table summarizes our notes payable:

	June 30, 2014	December 31, 2013	Contractual Maturity Date	Interest Rate
Fixed Rate Debt				
RIF V - Jersey, LLC	$ 5,102,000 [(1)]	$5,189,000 [(1)]	1/1/2015	5.45 % [(2)]
The Park	3,119,000 [(3)]	3,177,000 [(3)]	3/1/2031	5.13 % [(4)]
2980 San Fernando	10,527,000 [(5)]	-	7/1/2015	5.088 % [(2)]
Variable Rate Debt				
RIF V - Glendale Commerce	42,750,000	42,750,000	5/1/2016 [(6)]	LIBOR + 2.00%

Center, LLC				
Term Loan [7]	60,000,000	60,000,000	8/1/2019	LIBOR + 1.90%
Term Loan[8]	48,500,000	-	6/24/2017 [9]	LIBOR + 1.55%
$100M Term Loan Facility	100,000,000	-	6/11/2019	LIBOR + 1.50%
Unsecured Credit Facility				
$200M Revolving Facility	99,875,000	81,375,000	6/11/2018 [10]	LIBOR + 1.55% [11]
Total	$ 369,873,000	$ 192,491,000		

(1) Includes unamortized debt premium of $25,000 at June 30, 2014 and $50,000 at December 31, 2013.
(2) Monthly payments of interest and principal based on 30-year amortization table.
(3) Includes unamortized debt discount of $115,000 at June 30, 2014 and $118,000 at December 31, 2013.
(4) Monthly payments of interest and principal based on 20-year amortization table.
(5) Includes unamortized debt premium of $284,000 at June 30, 2014.
(6) Two additional one year extensions available at the borrower’s option.
(7) Loan is secured by six properties.
(8) Loan is secured by eight properties.
(9) One additional two-year extension available at the borrower’s option.
(10) One additional one-year extension available at the borrower’s option.
(11) The facility additionally bears interest at 0.30% or 0.20% of the daily undrawn amount of the revolver, if the balance is under $100 million or over $100 million, respectively.

On May 30, 2014, in connection with the acquisition of the property located at 2980 San Fernando, we assumed a first mortgage loan that is secured by the property. The assumed mortgage had a principal balance of $10.3 million at the acquisition date and was recorded at fair value at the date of acquisition resulting in an initial debt premium of $308,000. The loan, which

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

was put in place in 2005 by the seller, bears interest at a fixed rate of 5.088% with amortization over 30 years, and has a maturity date of July 1, 2015.

On June 24, 2014, we entered into a $48.5 million term loan which bears interest at LIBOR plus 1.55% that matures on June 24, 2017, with one additional two-year extension at our option. The loan proceeds were used to partially fund the acquisition of a portfolio of nine properties. The loan is secured by the first priority deed of trust on eight of these nine properties. Additionally, the loan includes a series of customary covenants that we must comply with, in addition to a performance covenant that is tested annually and requires the achievement of a minimum in-place debt yield of 9.25% by the properties securing the loan.

The following table summarizes the stated debt maturities and scheduled amortization payments, excluding debt discounts and premiums, as of June 30, 2014 and does not consider extension options available to us as noted above:

July 1, 2014 - December 31, 2014	$215,000
2015	15,294,000
2016	42,885,000
2017	48,642,000
2018	100,025,000
Thereafter	162,618,000
Total [(1)]	$369,679,000

(1) Includes gross principal balance of outstanding debt before impact of the $194,000 net debt discount.

Amended Facility

On June 11, 2014, we amended our existing revolving credit facility by entering into an Amended and Restated Credit Agreement (the “Amended Facility”). The Amended Facility, among other matters, adds a five-year $100.0 million term loan to the existing $200.0 million revolving credit facility.

The Amended Facility has an initial principal amount of $300.0 million comprised of a senior unsecured revolving credit facility (the “Revolver”) in an initial principal amount of $200.0 million, and a senior unsecured term loan facility (the “Term Loan Facility”) in the principal amount of $100.0 million. The maturity date of the Revolver was extended to June 11, 2018 (previously July 24, 2016), with one 12-month extension option available, subject to certain conditions, and the Term Loan Facility has a maturity date of June 11, 2019. The aggregate principal amount of the Amended Facility may be increased to a total of up to $600.0 million, which may be comprised of additional revolving commitments under the Revolver or an increase to the Term Loan Facility, or any combination of the foregoing, subject to the satisfaction of specified conditions and the identification of lenders willing to make available such additional amounts.

Interest on the Amended Facility is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greatest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we attain an investment grade rating, the applicable LIBOR margin will range from 1.30% to 1.90% (previously 1.35% to 2.05%), for the Revolver and 1.25% to 1.85% for the Term Loan Facility, depending on the our Leverage Ratio (as defined in the Amended Facility). The Amended Facility requires quarterly payments of an annual unused facility fee in an amount equal to 0.20% or 0.30% depending on the undrawn amount of the Revolver.

The Amended Facility is guaranteed by the Company and by substantially all of the current and future subsidiaries of the Operating Partnership that own an unencumbered property. The Amended Facility is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

The Amended Facility includes a series of financial and other covenants that we must comply with in order to borrow under the Amended Facility, including:

· Maintaining a ratio of total indebtedness to total asset value of not more than 60%;

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

- Maintaining a ratio of secured debt to total asset value of not more than 45%;
- Maintaining a ratio of total recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) $283,622,250, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after March 31, 2014;
- Maintaining a ratio of adjusted EBITDA to fixed charges of at least 1.50 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%; and
- Maintaining a ratio of unencumbered NOI to unsecured interest expense of at least 1.75 to 1.0.

The Revolver and the Term Loan Facility may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Term Loan Facility and repaid or prepaid may not be reborrowed.

The Amended Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Amended Facility and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the Amended Facility, the unpaid principal amount of all outstanding loans, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable. We believe we are currently in compliance with all of the financial covenants required by our loan agreements.

As of June 30, 2014, we had $99.9 million outstanding under the Revolver, with additional availability of $100.1 million.

7. Operating Leases

We lease space to tenants primarily under non-cancelable operating leases that generally contain provisions for a base rent plus reimbursement for certain operating expenses. Operating expense reimbursements are reflected in the consolidated and combined statements of operations as tenant reimbursements.

Future minimum base rent under operating leases as of June 30, 2014 is summarized as follows:

Twelve months ending June 30:	
2015	$53,080,000
2016	41,982,000
2017	28,324,000
2018	18,659,000
2019	11,553,000

Thereafter	17,814,000
Total	$171,412,000

The future minimum base rent in the table above excludes tenant reimbursements, amortization of adjustments for deferred rent receivables and the amortization of above/below-market lease intangibles.

8. Interest Rate Contracts

Risk Management Objective of Using Derivatives

We are exposed to certain risk arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash payments principally related to our borrowings.

Derivative Instruments

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. We do not use derivatives for trading or speculative purposes.

The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For a derivative that is designated and that qualifies as a cash flow hedge, the effective portion of the change in fair value of the derivative is initially recorded in accumulated other comprehensive income (“AOCI”). Amounts recorded in AOCI are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of a derivative’s change in fair value is immediately recognized in earnings.

On February 4, 2014, we executed two forward interest rate swaps to hedge the variable cash flows associated with our existing $60.0 million variable-rate term loan. Each of the two swaps has a notional value of $30.0 million, which will be in effect beginning in 2015. The first forward swap will effectively fix $30.0 million of debt at 3.726% annually from the period from January 15, 2015 to February 15, 2019. The second forward swap will effectively fix the other $30.0 million of debt at 3.91% annually from the period from July 15, 2015 to February 15, 2019.

Prior to our IPO, our predecessor was party to an interest rate swap that was not designated as a hedge, and as such, the changes in its fair value were recognized in earnings. This interest rate swap reached its natural termination on March 15, 2013. As of June 30, 2014 and December 31, 2013, we do not have any derivatives that are not designated as hedges.

The following table is a summary of our derivative instruments and their fair value, which is included in the line item “Accounts payable, accrued expenses and other liabilities” on the accompanying consolidated balance sheets.

Derivative Instrument	Effective Date	Maturity Date	Interest Strike	Fair Value[1] June 30, 2014	December 31, 2013	Notional Amount in Effect as of June 30,	December 31, 2013

			Rate				2014
Designated as hedging instruments:							
Interest Rate Swap	1/15/2015	2/15/2019	1.826 %	$(246,000)	$ -	$ -	$ -
Interest Rate Swap	7/15/2015	2/15/2019	2.010 %	(213,000)	-	-	-
				(459,000)	-	-	-

(1) We record all derivative instruments on a gross basis in the consolidated balance sheets, and accordingly, there are no offsetting amounts that net assets against liabilities. All of our derivatives were in a liability position as end of the period noted above.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table presents the impact of our derivative instruments on our consolidated and combined statement of operations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest Rate Swaps in Cash Flow Hedging Relationships:				
Amount of gain recognized in AOCI on derivatives (effective portion)	$(760,000)	$ -	$(459,000)	$-
Amount of gain (loss) reclassified from AOCI into earnings under "Interest expense" (effective portion)	-	-	-	-
Amount of gain (loss) recognized in earnings under "Interest expense" (ineffective portion and amount excluded from effectiveness testing)	-	-	-	-
Interest Rate Swaps Not in Cash Flow Hedging Relationships:				
Amount of realized and unrealized gain recognized in earnings under "Gain on mark-to-market of interest rate swaps"	-	-	-	49,000

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments and accruals are made on our variable-rate debt. During the next twelve months, we estimate that an additional $218,000 will be reclassified as an increase to interest expense.

Credit-risk-related Contingent Features

We have agreements with each of our derivative counterparties that contain a provision where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender within a specified time period, then we could also be declared in default on its derivative obligations.

Certain of our agreements with our derivative counterparties contain provisions where if a merger or acquisition occurs that materially changes our creditworthiness in an adverse manner, we may be required to fully collateralize our obligations under the derivative instrument.

As of June 30, 2014, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $489,000. As of June 30, 2014, we have not posted any collateral related to these agreements.

9. Fair Value Measurements

We have adopted FASB Accounting Standards Codification Topic 820: Fair Value Measurements and Disclosure (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Recurring Measurements – Interest Rate Swaps

Currently, we use interest rate swap agreements to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves.

To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, as of June 30, 2014, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, we have determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth the estimated fair value of our interest rate swaps as of June 30, 2014, which we measure on a recurring basis by level within the fair value hierarchy. There were no assets or liabilities that we measure at fair value on a recurring basis as of December 31, 2013.

	Fair Value Measurement Using			
Assets	Total Fair Value	Quoted Price in Active	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

		Markets for Identical Assets and Liabilities (Level 1)		
Interest rate swap at:				
June 30, 2014	$ (459,000)	$ -	$ (459,000)	$ -

Financial Instruments Disclosed at Fair Value

The carrying amounts of cash and cash equivalents, restricted cash, rents and other receivables, other assets, accounts payable, accrued expenses and other liabilities, and tenant security deposits approximate fair value because of their short-term nature. Additionally, we believe the carrying value of notes receivable approximates fair value.

The fair value of our secured notes payable was estimated by calculating the present value of principal and interest payments, using currently available market rates, adjusted with a credit spread, and assuming the loans are outstanding through maturity.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

The table below sets forth the carrying value and the estimated fair value of our notes payable as of June 30, 2014 and December 31, 2013:

	Fair Value Measurement Using				
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Value
Liabilities					
Notes Payable at:					
June 30, 2014	$369,931,000	$ -	$369,931,000	$ -	$369,873,000
December 31, 2013	$192,492,000	$ -	$192,492,000	$ -	$192,491,000

10. Related Party Transactions
Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management and development fees and leasing commissions from entities controlled individually by Mr. Schwimmer. Fees and commissions earned from these entities are included in management, leasing and development services in the consolidated and combined statements of operations. We recorded $63,000 and $50,000 in management, leasing and development services revenue during the three months ended June 30, 2014 and 2013, respectively, and $116,000 and $79,000 in management, leasing and development services revenue during the six months ended June 30, 2014 and 2013, respectively.

11. Commitments and Contingencies
Legal

From time to time, we are subject to various legal proceedings that arise in the ordinary course of business.

On October 3, 2013, two pre-IPO investors filed a putative class action purportedly brought on behalf of the investors in RIF III in the Los Angeles County Superior Court. On February 14, 2014, a First Amended Complaint was filed adding an additional individual pre-IPO investor and putative class claims on behalf of investors in RIF IV. This complaint also alleged that the communication of the proposed accommodation (in which Messrs. Schwimmer, Frankel and Ziman, together with certain other pre-IPO owners of the pre-IPO management companies agreed to return up to $32.1 million that they received in connection with our IPO and formation transactions) was materially misleading by not including disclosures regarding the lawsuit and claims asserted by plaintiffs. On July 15, 2014, a Second Amended Complaint was filed withdrawing the class action allegations and the allegations concerning communication of the accommodation, and adding four additional plaintiff investors. Plaintiffs assert claims against the Company, RIF III, RIF IV, RILLC and Messrs. Schwimmer, Frankel and Ziman for breach of fiduciary duty, violation of certain California securities laws, negligent misrepresentation, and fraud. Plaintiffs allege, among other things, that the terms of the Company's formation transactions were unfair to investors in RIF III and RIF IV, that the consideration received by investors in RIF III and RIF IV in the formation transactions was inadequate, that the pre-IPO management companies were allocated unfair value in the formation transactions and that the disclosure documents related to the formation transactions were materially misleading. Plaintiffs also request to inspect the books and records of RIF III and RIF IV, which entities no longer exist, and further seek declaratory relief, unspecified recessionary damages, disgorgement, compensatory, punitive and exemplary damages, an accounting for unjust enrichment, and an award of costs including pre-judgment interest, attorneys' and experts' fees, and other unspecified relief. Defendants have answered the Second Amended Complaint denying all allegations and asserting affirmative defenses. While we believe that the action is without merit and intend to defend the litigation vigorously, we expect to incur costs associated with defending the action. At this early stage of the litigation, the ultimate outcome of the action is uncertain and we cannot reasonably assess the timing or outcome, or estimate the amount of loss, if any, or its effect, if any, on our financial condition.

Environmental

We monitor our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to the

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

properties that would have a material effect on our consolidated financial condition, results of operations and cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Rent Expense

As of June 30, 2014, we lease a parcel of land that is currently being sub-leased to a tenant for a parking lot. The ground lease is scheduled to expire on June 1, 2062.

The future minimum commitment under our ground lease and corporate office lease as of June 30, 2014 is as follows:

	Office Lease	Ground Rent
July 1, 2014 - December 31, 2014	$131,000	$72,000
2015	291,000	144,000
2016	300,000	144,000
2017	309,000	144,000
2018	318,000	144,000
Thereafter	189,000	6,252,000
Total	$1,538,000	$6,900,000

Tenant Related

As of June 30, 2014, we had commitments of $1.1 million for tenant improvement and construction work under the terms of leases with certain of our tenants.

12. Investment in Unconsolidated Real Estate

We currently manage and hold a 15% equity interest in a joint venture (“the JV”) that indirectly owns three properties located at 3001-3233 Mission Oaks Boulevard in Ventura County. We account for this investment under the equity method of accounting (i.e., at cost, increased or decreased by our share of earnings or losses, less distributions, plus contributions and other adjustments required by equity method accounting, such as basis differences from other-than-temporary impairments, if applicable). The carrying value of our JV investment includes a gross $2.8 million basis adjustment resulting from the contribution of our equity interest as part of the formation transactions that occurred on July 24, 2013. The basis adjustment is being amortized over the estimated useful life of the underlying assets.

Our Predecessor owned a 70% interest in a property located at 10439-10477 Roselle Street. This was a tenancy-in-common interest in which control was shared equally with the other 30% tenant-in-common partner. As part of the formation transactions, on July 24, 2013, we acquired the 30% interest not previously owned by us in exchange for 2,828 common units in our Operating Partnership. Before this transaction, this investment was accounted for under the equity method of accounting.

The following tables present combined summarized financial information of our equity method investment properties. Amounts provided are the total amounts attributable to the entities and do not represent our proportionate share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014[1]	2013[2]	2014[1]	2013[2]
Revenues	$1,921,000	$2,099,000	$3,733,000	$4,245,000
Expenses	(1,758,000)	(3,147,000)	(3,363,000)	(5,368,000)
Net income (loss)	$163,000	$(1,048,000)	$370,000	$(1,123,000)

25

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

	June 30, 2014	December 31, 2013
Assets	$62,644,000	$61,422,000
Liabilities	(42,627,000)	(42,475,000)
Partners'/members' equity	$20,017,000	$18,947,000

(1) Includes summarized financial information for our equity method investment property located at 3001-3233 Mission Oaks Boulevard.
(2) Includes summarized financial information for properties located at 3001-3233 Mission Oaks Boulevard and 10439-10477 Roselle St.

Our unconsolidated real estate entities incurred management, leasing and development fees, which were payable to us, of $94,000 and $0.1 million for the three months ended June 30, 2014 and 2013, respectively, and $188,000 and $0.2 million for the six months ended June 30, 2014 and 2013, respectively.

We recognized management, leasing and development revenue of $130,000 and $0.1 million for the three months ended June 30, 2014 and 2013, respectively, and $269,000 and $0.2 million for the six months ended June 30, 2014 and 2013, respectively, which has been recorded in management, leasing and development services.

13. Discontinued Operations

Dispositions

The following table summarizes the properties sold during the six months ended June 30, 2014 and 2013:

Address	Location	Date of Disposition	Rentable Square Feet	Sales Price	Debt Satisfied [1]	Gain (Loss) Recorded [2]
2014 Dispositions:						
1335 Park Center Drive	Vista, CA	1/29/2014	124,997	$10,103,000	$-	$2,262,000
2900 N. Madera Road	Simi Valley, CA	3/13/2014	63,305	$4,350,000	$-	$(137,000)

2013 Dispositions:

4578 Worth Street	Los Angeles, CA	1/31/2013	79,370	$4,100,000	$2,500,000	$2,410,000
1950 E. Williams Drive	Oxnard, CA	4/4/2013	161,682	$8,542,000	$2,993,000	$415,000
9027 Glenoaks Blvd.	Los Angeles, CA	5/10/2013	14,700	$1,727,000	$1,625,000	$234,000
2515, 2507, 2441 W. Erie Dr. & 2929 S. Fair Lane	Tempe, AZ	5/28/2013	83,385	$5,003,000	$3,531,000	$1,015,000
1255 Knollwood Circle	Anaheim, CA	6/14/2013	25,162	$2,768,000	$2,630,000	$915,000

(1) Amount represents the principal paid back to the lender to release the property from a larger pool of properties serving as collateral for the respective portfolio loan.
(2) Gain on sale of real estate is recorded as part of discontinued operations during the period of disposition.

Properties Held for Sale

As of June 30, 2014, we did not have any properties classified as held for sale. As of December 31, 2013, our properties located at 1335 Park Center Drive and 2900 N. Madera Road were classified as held for sale.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

The major classes of assets and liabilities associated with real estate held for sale are summarized in the table below:

	December 31, 2013
Investment in real estate, net	$10,963,000
Other	935,000
Assets associated with real estate held for sale	$11,898,000
Mortgage loan	$-
Accounts payable and other liabilities	260,000
Liabilities associated with real estate held for sale	$260,000

Discontinued Operations

Income from discontinued operations includes the results of operations (prior to disposition) and the gain on sale of real estate attributable to the seven properties sold during the period from January 1, 2013 through June 30, 2014. Their consolidated results of operations for the three and six months ended June 30, 2014 and combined results of operations for the three and six months ended June 30, 2013, are summarized in the table below.

		Rexford Industrial Realty Inc. Predecessor		Rexford Industrial Realty Inc. Predecessor
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	$-	$105,000	$85,000	$516,000
Operating expenses	-	(134,000)	(57,000)	(303,000)
Interest expense	-	(131,000)	-	(289,000)
Depreciation and amortization expense	-	(97,000)	(7,000)	(762,000)
Loss on extinguishment of debt	-	(41,000)	-	(250,000)
Gain on sale of real estate	-	2,580,000	2,125,000	4,989,000
Income from discontinued operations	$-	$2,282,000	$2,146,000	$3,901,000

14. Equity
Noncontrolling Interests

Noncontrolling interests in our Operating Partnership relate to interests in the partnership that are not owned by us. Noncontrolling interests consisted of 3,009,259 common units in our Operating Partnership and represented approximately 10.6% of our Operating Partnership as of June 30, 2014. Common units in our Operating Partnership and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of our Operating Partnership. Investors who own common units in our Operating Partnership have the right to cause our Operating Partnership to redeem any or all of their units in our Operating Partnership for an amount of cash per unit equal to the then current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

2013 Incentive Award Plan

In July 2013, we established the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the “Plan”), pursuant to which we may make grants of stock options, restricted stock, long term incentive plan units (“LTIP units”) in our Operating Partnership and other stock based and cash awards to our non-employee directors, employees and consultants. The maximum number of shares of our common stock that may be issued or transferred pursuant to the Plan is 2,272,689 shares (of which 2,068,462 shares of common stock remain available for issuance as of June 30, 2014).

Shares of our restricted common stock generally may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent or the administrator of the Plan, a domestic

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REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

relations order, unless and until all restrictions applicable to such shares have lapsed. Such restrictions generally expire upon vesting. Shares of our restricted common stock have full voting rights and rights to dividends. During the three and six months ended June 30, 2014, we recognized net equity compensation expense of $279,000 and $451,000, respectively, related to the restricted common stock grants ultimately expected to vest. Equity compensation expense is included in general and administrative and property expenses in the accompanying consolidated statements of operations. Certain amounts of equity compensation expense are capitalized for employees who provide leasing and construction services. During the three and six months ended June 30, 2014, we capitalized $41,000 and $70,000, respectively, related to these employees.

The following is a table summarizing our unvested restricted stock activity for the three months ended June 30, 2014:

	Number of Unvested Shares of Restricted Common Stock
Balance at January 1, 2014	140,468
Granted	89,048
Forfeited	(25,289)
Vested	(963)
Balance at June 30, 2014	203,264

The following is a vesting schedule of the total unvested shares of restricted stock outstanding as of June 30, 2014:

	Shares
July 1, 2014 - December 31, 2014	33,057
2015	63,593
2016	47,495
2017	44,667
2018	14,452
	203,264

ASC Topic 718: Compensation - Stock Compensation, requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We have estimated a

forfeiture rate of 6.8% for unvested restricted stock as of June 30, 2014. As of June 30, 2014, there was $1.7 million of total unrecognized compensation expense related to the unvested shares of our restricted common stock assuming the forfeiture rate noted above, of which $0.2 million will be capitalized for employees who provide leasing and construction services. As of June 30, 2014, this expense is expected to be recognized over a weighted average remaining period of 24 months.

REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

Changes in Accumulated Other Comprehensive Income

The following table summarizes the changes in our Accumulated Other Comprehensive Income balance for the six months ended June 30, 2014, which consists solely of adjustments related to our cash flow hedges:

	Accumulated Other Comprehensive Income
Balance at January 1, 2014	$ -
Other comprehensive income before reclassifications	(459,000)
Amounts reclassified from accumulated other comprehensive income to interest expense	-
Net current period other comprehensive income	(459,000)
Less other comprehensive income attributable to noncontrolling interests	49,000
Other comprehensive income attributable to common stockholders	(410,000)
Balance at June 30, 2014	$ (410,000)

15. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Numerator:		
Net income (loss) from continuing operations	$ 81,000	$ (636,000)
Net (income) loss from continuing operations attributable to noncontrolling interests	(8,000)	67,000
Numerator for basic and diluted income (loss) from continuing operations available to common stockholders	73,000	(569,000)
Net income from discontinued operations	-	2,146,000
Net income from discontinued operations attributable to noncontrolling interests	-	