Rexford Industrial Realty, Inc.
Form 10-Q
November 06, 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 September 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 November 3, 2014 was 43,478,233.

REXFORD INDUSTRIAL REALTY, INC.

QUARTERLY REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Land	$325,284,000	$216,078,000
Buildings and improvements	449,566,000	311,118,000
Tenant improvements	19,186,000	13,239,000
Furniture, fixtures, and equipment	188,000	188,000
Total real estate held for investment	794,224,000	540,623,000
Accumulated depreciation	(71,535,000)	(58,950,000)
Investments in real estate, net	722,689,000	481,673,000
Cash and cash equivalents	60,541,000	8,997,000
Restricted cash	307,000	325,000
Notes receivable	13,138,000	13,139,000
Rents and other receivables, net	1,738,000	917,000
Deferred rent receivable, net	4,420,000	3,637,000
Deferred leasing costs, net	3,275,000	2,153,000
Deferred loan costs, net	2,995,000	1,597,000
Acquired lease intangible assets, net	23,558,000	13,508,000
Acquired indefinite-lived intangible	5,271,000	5,271,000
Other assets	4,552,000	2,309,000
Acquisition related deposits	-	1,510,000
Investment in unconsolidated real estate entities	5,744,000	5,687,000
Assets associated with real estate held for sale	-	13,952,000
Total Assets	$848,228,000	$554,675,000
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$269,811,000	$192,491,000
Accounts payable, accrued expenses and other liabilities	9,620,000	5,783,000
Dividends payable	5,191,000	5,368,000
Acquired lease intangible liabilities, net	1,921,000	1,143,000
Tenant security deposits	7,927,000	6,099,000
Prepaid rents	1,329,000	1,426,000
Liabilities associated with real estate held for sale	-	596,000
Total Liabilities	295,799,000	212,906,000
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
	431,000	255,000

Common Stock, $0.01 par value 490,000,000 authorized and 43,257,883 and 25,559,886 outstanding at September 30, 2014 and December 31, 2013, respectively		
Additional paid in capital	538,248,000	311,936,000
Cumulative distributions in excess of earnings	(16,574,000)	(5,993,000)
Accumulated other comprehensive income	158,000	-
Total stockholders' equity	522,263,000	306,198,000
Noncontrolling interests	30,166,000	35,571,000
Total Equity	552,429,000	341,769,000
Total Liabilities and Equity	$848,228,000	$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)

	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Three Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From July 1, 2013 to July 23, 2013	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
RENTAL REVENUES						
Rental revenues	$15,516,000	$7,640,000	2,384,000	$39,917,000	$7,640,000	$19,206,000
Tenant reimbursements	2,052,000	828,000	254,000	5,244,000	828,000	2,212,000
Management, leasing and development services	171,000	281,000	13,000	654,000	281,000	444,000
Other income	16,000	40,000	20,000	73,000	40,000	187,000
TOTAL RENTAL REVENUES	17,755,000	8,789,000	2,671,000	45,888,000	8,789,000	22,049,000
Interest income	281,000	191,000	63,000	835,000	191,000	698,000
TOTAL REVENUES	18,036,000	8,980,000	2,734,000	46,723,000	8,980,000	22,747,000
OPERATING EXPENSES						
Property expenses	4,879,000	2,527,000	690,000	12,905,000	2,527,000	5,924,000
General and administrative	3,273,000	2,500,000	1,885,000	8,658,000	2,500,000	4,420,000
Depreciation and amortization	8,032,000	3,025,000	887,000	20,165,000	3,025,000	7,022,000
TOTAL OPERATING EXPENSES	16,184,000	8,052,000	3,462,000	41,728,000	8,052,000	17,366,000
OTHER (INCOME) EXPENSE						
Acquisition expenses	426,000	119,000	7,000	1,411,000	119,000	724,000
Interest expense	1,957,000	717,000	1,233,000	4,745,000	717,000	9,395,000
Gain on mark-to-market of interest rate swaps	-	-	-	-	-	(49,000)
TOTAL OTHER EXPENSE	2,383,000	836,000	1,240,000	6,156,000	836,000	10,070,000
TOTAL EXPENSES	18,567,000	8,888,000	4,702,000	47,884,000	8,888,000	27,436,000
Equity in income (loss) from unconsolidated real estate entities	2,000	83,000	9,000	(4,000)	83,000	(915,000)
Gain from early repayment of note receivable	-	-	-	-	-	1,365,000

Loss on extinguishment of debt	-	-	(3,918,000)	-	-	(3,955,000)
Loss on sale of real estate	(150,000)	-	-	(150,000)	-	-
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(679,000)	175,000	(5,877,000)	(1,315,000)	175,000	(8,194,000)
DISCONTINUED OPERATIONS						
Income (loss) from discontinued operations before gain on sale of real estate and loss on extinguishment of debt	-	120,000	26,000	21,000	120,000	(809,000)
Loss on extinguishment of debt	-	-	(17,000)	-	-	(267,000)
Gain on sale of real estate	-	-	-	2,125,000	-	4,989,000
INCOME FROM DISCONTINUED OPERATIONS	-	120,000	9,000	2,146,000	120,000	3,913,000
NET INCOME (LOSS)	(679,000)	295,000	(5,868,000)	831,000	295,000	(4,281,000)
Net (income) loss attributable to noncontrolling interests	80,000	(39,000)	3,559,000	(80,000)	(39,000)	15,000
NET INCOME (LOSS) ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC. STOCKHOLDERS AND PARTICIPATING SECURITIES	$(599,000)	$256,000	$(2,309,000)	$751,000	$256,000	$(4,266,000)
Income (loss) from continuing operations available to common stockholders per share - basic and diluted	$(0.02)	$0.01		$(0.04)	$0.01	
Net income (loss) available to common stockholders per share - basic and diluted	$(0.02)	$0.01		$0.02	$0.01	
Weighted average shares of common stock outstanding - basic and diluted	33,527,183	24,574,432		28,151,818	24,574,432	
Dividends declared per common share	$0.12	$-		$0.36	$-	

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

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REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Three Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From July 1, 2013 to July 23, 2013	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
Net income (loss)	$(679,000)	$ 295,000	$(5,868,000)	$831,000	$ 295,000	$(4,281,000)
Other comprehensive income: cash flow hedge adjustment	626,000	-	-	167,000	-	-
Comprehensive (loss) income	(53,000)	295,000	(5,868,000)	998,000	295,000	(4,281,000)
Less: comprehensive loss (income) attributable to noncontrolling interests	22,000	(39,000)	3,559,000	(89,000)	(39,000)	15,000
Comprehensive (loss) income attributable to common stockholders	$(31,000)	$ 256,000	$(2,309,000)	$909,000	$ 256,000	$(4,266,000)

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	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Noncontrolling Interests	Total Equ
Balance at January 1, 2014	25,559,886	$255,000	$311,936,000	$(5,993,000)	$-	$306,198,000	$35,571,000	$341,769,
Issuance of common stock	17,250,000	172,000	232,703,000	-	-	232,875,000	-	232,875,
Offering costs	-	-	(11,326,000)	-	-	(11,326,000)	-	(11,326,0
Share-based compensation	91,693	-	897,000	-	-	897,000	-	897,000
Repurchase of common shares	(6,928)	-	(98,000)	-	-	(98,000)	-	(98,000
Conversion of common units to common stock	363,232	4,000	4,136,000	-	-	4,140,000	(4,140,000)	-
Dividends	-	-	-	(11,332,000)	-	(11,332,000)	-	(11,332,0
Distributions	-	-	-	-	-	-	(1,354,000)	(1,354,00
Net income	-	-	-	751,000	-	751,000	80,000	831,000
Other comprehensive income	-	-	-	-	158,000	158,000	9,000	167,000
Balance at September 30, 2014	43,257,883	$431,000	$538,248,000	$(16,574,000)	$158,000	$522,263,000	$30,166,000	$552,429,

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)

	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$831,000	$295,000	$(4,281,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in (income) loss of unconsolidated real estate entities	4,000	(83,000)	915,000
Depreciation and amortization	20,165,000	3,025,000	7,022,000
Depreciation and amortization included in discontinued operations	7,000	37,000	776,000
Amortization of above (below) market lease intangibles, net	305,000	122,000	256,000
Accretion of discount on notes receivable	(195,000)	(33,000)	(94,000)
Loss on extinguishment of debt	-	-	4,222,000
Loss on sale of real estate	150,000	-	-
Gain on sale of real estate included in discontinued operations	(2,125,000)	-	(4,989,000)
Amortization of loan costs	478,000	93,000	784,000
Gain on mark-to-market interest rate swaps	-	-	(49,000)
Accretion of premium on notes payable	(127,000)	-	-
Deferred interest expense	-	-	573,000
Equity based compensation expense	791,000	382,000	985,000
Gain from early repayment of notes receivable	-	-	(1,365,000)
Change in working capital components:	-		
Rents and other receivables	(809,000)	(20,000)	(161,000)
Deferred rent receivable	(806,000)	(285,000)	(263,000)
Change in restricted cash	-	-	1,137,000
Leasing commissions	(1,873,000)	(224,000)	(980,000)
Other assets	(675,000)	(752,000)	(1,172,000)
Accounts payable, accrued expenses and other liabilities	1,935,000	616,000	942,000
Tenant security deposits	841,000	72,000	507,000
Prepaid rent	(996,000)	272,000	(172,000)
Net cash provided by operating activities	17,901,000	3,517,000	4,593,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of investments in real estate	(248,472,000)	(13,924,000)	(73,332,000)

Capital expenditures	(8,776,000)	(617,000)	(1,439,000)
Consolidation of La Jolla Sorrento	-	-	373,000
Acquisition related deposits	1,510,000	(1,235,000)	50,000
Contributions to unconsolidated real estate entities	(105,000)	-	-
Distributions from unconsolidated real estate entities	44,000	-	271,000
Change in restricted cash	18,000	(9,000)	408,000
Principal repayments of notes receivable	196,000	39,000	5,516,000
Disposition of investment in real estate	15,410,000	-	21,537,000
Net cash used in investing activities	(240,175,000)	(15,746,000)	(46,616,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock, net	221,773,000	208,280,000	-
Proceeds from private placement	-	47,016,000	-
Proceeds from notes payable	209,000,000	80,875,000	55,590,000
Repayment of notes payable	(142,118,000)	(311,848,000)	(21,135,000)
Deferred loan costs	(1,876,000)	(1,702,000)	(812,000)
Prepaid offering costs	-	-	(1,504,000)
Capital contributions from Predecessor members	-	-	1,156,000
Distributions to Predecessor members	-	-	(6,825,000)
Reimbursements due to Predecessor members	-	-	(1,221,000)
Distributions due to Predecessor members related to formation transactions	-	(4,953,000)	(26,773,000)
Repurchase of interests from unaccredited investors	-	(1,040,000)	-
Dividends paid to common stockholders	(11,509,000)	-	-
Distributions paid to common unitholders	(1,354,000)	-	-
Repurchase of common shares	(98,000)		
Change in restricted cash	-	-	48,000
Net cash provided by (used in) financing activities	273,818,000	16,628,000	(1,476,000)
Increase (Decrease) in Cash and Equivalents	51,544,000	4,399,000	(43,499,000)
Cash and cash equivalents, beginning of period	8,997,000	-	43,499,000
Cash and cash equivalents, end of period	$60,541,000	$4,399,000	$-
Supplemental disclosure of noncash investing and financing transactions:			
Contribution of Rexford Sponsor V LLC and Rexford Industrial Fund V REIT, LLC:			
Investments in real estate and acquired intangibles	$-	$-	$(35,532,000)
Investment in unconsolidated real estate entities	$-	$-	$(6,131,000)

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	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
Notes receivable	$-	$ -	$(5,305,000)
Predecessor equity and noncontrolling interests	$-	$ -	$46,968,000
Acquisition of tenant-in-common interest in La Jolla Sorrento and consolidation of property previously accounted for under the equity method of accounting:			
Investments in real estate and acquired intangibles	$-	$ -	$(8,369,000)
Investment in unconsolidated real estate entities	$-	$ -	$8,654,000
Rexford Industrial Realty, Inc. Predecessor equity and noncontrolling interests	$-	$ -	$48,000
Rexford Industrial Realty, Inc. noncontrolling interests	$-	$ -	$40,000
Assumption of loan in connection with acquisition of real estate	$10,257,000	$ -	$-

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 September 30, 2014, our consolidated portfolio consisted of 86 properties with approximately 8.6 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 periods prior to July 24, 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 September 30, 2014 and December 31, 2013 and for the three and nine months ended September 30, 2014 and the period from July 24, 2013 to September 30, 2013, 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 periods prior to July 24, 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

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. ASU 2014-08 further expands the disclosure requirements for disposals that meet the definition of a discontinued operation, and requires entities to disclose information about disposals of individually significant components. ASU 2014-08 will be applied prospectively and is effective for annual periods and interim periods within those years, beginning after December 15, 2014 with early adoption permitted. We elected to adopt ASU 2014-08 early, beginning in the fiscal quarter ended September 30, 2014. The adoption of ASU 2014-08 will likely result in fewer property sales being classified as discontinued operations.

For assets held for sale or sold prior to the adoption of ASU 2014-08, 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. See Note 13.

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 balance sheets, which includes the reclassification of the assets and liabilities for all comparative periods. In addition, 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. See Note 13.

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, which are unobservable inputs based on the Company's assumptions about the assumptions a market participant would use, such as the replacement cost of such assets, appraisals, property condition reports, comparable market rental data and other related information.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. 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 value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property, that would be incurred to lease the property to its occupancy level at the time of its acquisition. Acquisition costs associated with the business combination are expensed in the period they are incurred.

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.

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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.

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 regards to the underlying assets might change as market conditions and other factors change. 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 respect to 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 September 30, 2014 and December 31, 2013, our investment in real estate has been recorded net of a cumulative impairment of $18.6 million as of the end of both periods.

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 nine months ended September 30, 2014 and for the period from July 24, 2013 through September 30, 2013.

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

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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 period from July 1, 2013 to July 23, 2013 and the period from January 1, 2013 to July 23, 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 September 30, 2014 and December 31, 2013, we have not established a liability for uncertain tax positions.

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. 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 September 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

We calculate earnings per share ("EPS") in accordance with ASC 260 – Earnings Per Share ("ASC 260"). Under ASC 260, shares of unrestricted stock that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in computing basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings.

Basic EPS 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 EPS is computed using the weighted average shares of common stock outstanding determined for the basic EPS 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 reportable 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

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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.

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.

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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.

On July 8, 2014, we acquired the property located at 3116 W. Avenue 32 in Los Angeles, California for a contract price of $11.0 million using funds from our revolving credit facility. The property consists of one two-tenant building totaling 100,500 square feet situated on 2.62 acres of land.

On July 23, 2014, we acquired the Chatsworth Industrial Park located at 21019-21051 Osborne St., 9035 Independence Ave. and 21026-21040 Nordhoff St. in Chatsworth, California for a contract price of $16.8 million using funds from our revolving credit facility. The property consists of seven buildings totaling 153,212 square feet situated on 7.4 acres of land.

On July 25, 2014, we acquired the property located at 24935 and 24955 Avenue Kearney in Santa Clarita, California for a contract price of $11.5 million using funds from our revolving credit facility. The property consists of two single-tenant building totaling 138,980 square feet situated on 6.0 acres of land.

On August 26, 2014, we acquired the property located at 605 8th Street located in San Fernando, California for a contract price of $5.075 million using cash on hand. The property consists of one two-tenant building totaling 55,516 square feet situated on 2.75 acres of land.

On September 12, 2014, we acquired the property located at 9120 Mason Avenue in Chatsworth, California for a contract price of $30.5 million using cash on hand. The property consists of one building totaling 319,348 square feet situated on 11.82 acres of land.

During the period from July 24, 2013 to September 30, 2013, we acquired two properties consisting of two buildings and approximately 124,000 square feet. The properties are located in Southern California. The total contract price for those acquisitions was $14.0 million.

During the period from January 1, 2013 to July 23, 2013 our predecessor acquired four properties consisting of 17 buildings and approximately 741,000 square feet. The properties are located throughout Southern California. The total contract price for those acquisitions was $73.8 million.

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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					
ss	Acquisition Date	Land	Buildings and Improvements	In-place Lease Intangibles [1]	Net Above (Below) Market Lease Intangibles [2]	Total Purchase Price	Other Assets	Notes Payable, Accounts Payable, Accrued Expenses and Tenant Security Deposits	Net Asse Acquire
sitions									
rans e[3]	1/15/2014	$3,117,000	$1,894,000	$-	$-	$5,011,000	$-	$(321,000)	$4,690,0
-14825 d Street	1/22/2014	$4,458,000	$3,948,000	$490,000	$(21,000)	$8,875,000	$-	$(117,000)	$8,758,0
55, & illiken e and & 4319 Ana	2/12/2014	$2,260,000	$6,043,000	$431,000	$(184,000)	$8,550,000	$2,000	$(116,000)	$8,436,0
1510 228th 4)	2/25/2014	$2,428,000	$4,271,000	$205,000	$(304,000)	$6,600,000	$1,180,000	$(1,214,000)	$6,566,0
& ton e	3/20/2014	$2,315,000	$1,553,000	$62,000	$-	$3,930,000	$22,000	$(64,000)	$3,888,0
	4/17/2014	$7,935,000	$10,525,000	$2,259,000	$381,000	$21,100,000	$76,000	$(73,000)	$21,103

Saturn									
ent Bay	5/30/2014	$2,181,000	$4,012,000	$389,000	$(102,000)	$6,480,000	$4,000	$(2,000)	$6,482,0
& 2990 n ado 5)	5/30/2014	$6,373,000	$7,356,000	$1,276,000	$728,000	$15,733,000	$-	$(10,572,000)	$5,161,0
& 2701 ch 6)	6/5/2014	$9,305,000	$2,114,000	$-	$-	$11,419,000	$5,000	$(299,000)	$11,125
Santa t. & 701 nt Ave.	6/24/2014	$3,725,000	$6,145,000	$524,000	$(194,000)	$10,200,000	$1,000	$(90,000)	$10,111
bution e	6/27/2014	$1,863,000	$3,211,000	$451,000	$(100,000)	$5,425,000	$2,000	$(97,000)	$5,330,0
bution e	6/27/2014	$2,733,000	$5,041,000	$621,000	$130,000	$8,525,000	$5,000	$(39,000)	$8,491,0
Cabot	6/27/2014	$4,311,000	$6,126,000	$538,000	$-	$10,975,000	$2,000	$(54,000)	$10,923
Cabot	6/27/2014	$2,413,000	$3,451,000	$346,000	$190,000	$6,400,000	$1,000	$(6,000)	$6,395,0
Cabot	6/27/2014	$4,423,000	$6,799,000	$851,000	$27,000	$12,100,000	$1,000	$(13,000)	$12,088
-14971 t Lake	6/27/2014	$5,126,000	$5,009,000	$800,000	$(85,000)	$10,850,000	$3,000	$(119,000)	$10,734
E. r e	6/27/2014	$5,240,000	$5,065,000	$866,000	$158,000	$11,329,000	$15,000	$(76,000)	$11,268
W. r Blvd.	6/27/2014	$3,982,000	$4,796,000	$566,000	$287,000	$9,631,000	$1,000	$(119,000)	$9,513,0
Alton ay	6/27/2014	$7,638,000	$4,946,000	$419,000	$273,000	$13,276,000	$1,000	$(52,000)	$13,225
West e 32(7)	7/8/2014	$3,761,000	$6,730,000	$503,000	$61,000	$11,055,000	$-	$(121,000)	$10,934
-21040 off 9035 endence e, & , 21021, , 21029, -21051 ne	7/23/2014	$7,229,000	$9,058,000	$650,000	$(137,000)	$16,800,000	$1,000	$(164,000)	$16,637
& Avenue	7/25/2014	$4,773,000	$5,970,000	$767,000	$-	$11,510,000	$-	$(95,000)	$11,415

y									
h St.[8]	8/26/2014	$2,393,000	$2,742,000	$-	$-	$5,135,000	$-	$(88,000)	$5,047,0
Mason e & Corisco	9/12/2014	$9,224,000	$19,346,000	$1,620,000	$310,000	$30,500,000	$-	$(348,000)	$30,152
		$109,206,000	$136,151,000	$14,634,000	$1,418,000	$261,409,000	$1,322,000	$(14,259,000)	$248,47
sitions:									
3117 Avenue	7/30/2013	$1,389,000	$3,872,000	$327,000	$12,000	$5,600,000	$19,000	$(55,000)	$5,564,0
-18330 d Street	8/7/2013	$2,498,000	$5,493,000	$435,000	$(1,000)	$8,425,000	$4,000	$(69,000)	$8,360,0
		$3,887,000	$9,365,000	$762,000	$11,000	$14,025,000	$23,000	$(124,000)	$13,924

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		Real estate assets:		Acquisition-related intangibles					
Address	Acquisition Date	Land	Buildings and Improvements	In-place Lease Intangibles (1)	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
2013 Predecessor Acquisitions:									
18118-18120 S. Broadway	4/4/2013	$3,013,000	$2,161,000	$274,000	$-	$5,448,000	$16,000	$(57,000)	$5,407,000
8900-8980 Benson Ave., 5637 Arrow Highway	4/9/2013	$1,817,000	$4,590,000	$552,000	$191,000	$7,150,000	$20,000	$(104,000)	$7,066,000
3350 Tyburn St., 3332, 3334, 3360, 3368, 3370, 3378, 3380, 3410, 3424 N. San Fernando Rd.	4/17/2013	$26,423,000	$25,795,000	$2,568,000	$1,414,000	$56,200,000	$168,000	$(500,000)	$55,868,000
1661 240th St.	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)	$73,332,000

(1) The weighted average amortization period of acquired in-place lease intangibles for our 2014 acquisitions was 3.4 years as of September 30, 2014.

(2)

The weighted average amortization period of net above (below) market leases for our 2014 acquisitions was 3.5 years as of September 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) As part of the acquisition of 1500-1510 West 228th Street, we recorded a contingent liability in the amount of $1.2 million, related to the estimated cost to remediate potential environmental liabilities that existed at the acquisition date. Additionally, we recorded an indemnification asset for the same amount as the seller has placed $1.3 million into an escrow account to be used by us toward the payment of these remediation costs. See Note 11.

(5) 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.

(6) 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 (located 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.

(7) The purchase price allocation for the acquisition of 3116 West Avenue 32 includes $54,000 in deferred liabilities (located in Accounts payable, accrued expenses and other liabilities on the balance sheet), related to the two months of free rent provided to the seller as part of the acquisition.

(8) As part of the purchase price allocation of 605 8th St., $60,000 was allocated to deferred liabilities (located in Accounts payable, accrued expenses and other liabilities on the balance sheet), related to the two 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 September 30, 2014	Nine Months Ended September 30, 2014
Revenues	$4,310,000	$6,004,000
Net Income	$161,000	$420,000

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

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REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

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.

	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Three Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From July 1, 2013 to July 23, 2013	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
Revenues	$18,717,000	$12,695,000	$3,972,000	$55,420,000	$12,695,000	$33,732,000
Net operating income	$13,264,000	$8,788,000	$2,904,000	$38,995,000	$8,788,000	$23,979,000
Net income	$549,000	$115,000	$(5,928,000)	$3,191,000	$115,000	$(6,671,000)

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:

	September 30, 2014	December 31, 2013
Acquired Lease Intangible Assets:		
In-place lease intangibles	$ 30,475,000	$ 16,112,000
Accumulated amortization	(10,391,000)	(4,201,000)
In-place lease intangibles, net	20,084,000	11,911,000
Above-market tenant leases	4,458,000	1,881,000
Accumulated amortization	(984,000)	(284,000)
Above-market tenant leases, net	3,474,000	1,597,000
Acquired lease intangible assets, net	$ 23,558,000	$ 13,508,000

Acquired Lease Intangible Liabilities:		
Below-market tenant leases	$ (2,191,000)	$ (1,055,000)
Accumulated accretion	523,000	189,000
Below-market tenant leases, net	(1,668,000)	(866,000)
Above-market ground lease	(290,000)	(290,000)
Accumulated accretion	37,000	13,000
Above-market ground lease, net	(253,000)	(277,000)
Acquired lease intangible liabilities, net	$ (1,921,000)	$ (1,143,000)

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REXFORD INDUSTRIAL REALTY, INC. AND

REXFORD INDUSTIRAL REALTY, INC. PREDECESSOR

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the reported periods noted below:

	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor	Rexford Industrial Realty, Inc.		Rexford Industrial Realty, Inc. Predecessor
	Three Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From July 1, 2013 to July 23, 2013	Nine Months Ended September 30, 2014	Period From July 24, 2013 to September 30, 2013	Period From January 1, 2013 to July 23, 2013
In-place lease intangibles[1]	$2,641,000	$1,084,000	$ 174,000	$6,552,000	$1,084,000	$1,238,000
Above-market tenant leases[2]	$340,000	$152,000	$ 49,000	$700,000	$152,000	$258,000
Below-market tenant leases[3]	$(182,000)	$(31,000)	$ (5,000)	$(371,000)	$(31,000)	$(19,000)
Above-market ground lease[4]	$(8,000)	$-	$ -	$(24,000)	$-	$-

(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.

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 period from January 1, 2013 to July 23, 2013.

The following table summarizes the balance of our notes receivable: