
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
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
(State or other jurisdiction of incorporation or organization)

46-2024407
(I.R.S. Employer Identification No.)

11620 Wilshire Boulevard, Suite 1000,
Los Angeles, California
(Address of principal executive offices)

90025
(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 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 No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares of common stock outstanding at October 30, 2017 was 77,898,858.

REXFORD INDUSTRIAL REALTY, INC.
QUARTERLY REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands – except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Land	\$ 925,360	\$ 683,919
Buildings and improvements	1,051,037	811,614
Tenant improvements	47,663	38,644
Furniture, fixtures and equipment	167	174
Construction in progress	33,158	17,778
Total real estate held for investment	2,057,385	1,552,129
Accumulated depreciation	(165,385)	(135,140)
Investments in real estate, net	1,892,000	1,416,989
Cash and cash equivalents	12,918	15,525
Note receivable, net	—	5,934
Rents and other receivables, net	3,040	2,749
Deferred rent receivable, net	14,929	11,873
Deferred leasing costs, net	10,756	8,672
Deferred loan costs, net	2,084	847
Acquired lease intangible assets, net	49,147	36,365
Acquired indefinite-lived intangible	5,156	5,170
Interest rate swap asset	4,752	5,594
Other assets	7,144	5,290
Acquisition related deposits	1,075	—
Total Assets	\$ 2,003,001	\$ 1,515,008
LIABILITIES & EQUITY		
Liabilities		
Notes payable	\$ 664,209	\$ 500,184
Interest rate swap liability	785	2,045
Accounts payable, accrued expenses and other liabilities	22,190	13,585
Dividends payable	11,580	9,282
Acquired lease intangible liabilities, net	18,147	9,130
Tenant security deposits	19,149	15,187
Prepaid rents	5,738	3,455
Total Liabilities	741,798	552,868
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 5.875% series A cumulative redeemable preferred stock, liquidation preference \$25.00 per share, 3,600,000 shares outstanding at September 30, 2017 and December 31, 2016	86,651	86,651
Common Stock, \$0.01 par value 490,000,000 shares authorized and 77,595,240 and 66,454,375 shares outstanding at September 30, 2017 and December 31, 2016, respectively	773	662
Additional paid in capital	1,213,123	907,834
Cumulative distributions in excess of earnings	(67,578)	(59,277)
Accumulated other comprehensive income	3,870	3,445
Total stockholders' equity	1,236,839	939,315
Noncontrolling interests	24,364	22,825
Total Equity	1,261,203	962,140
Total Liabilities and Equity	\$ 2,003,001	\$ 1,515,008

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands – except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
RENTAL REVENUES				
Rental income	\$ 36,748	\$ 28,285	\$ 97,494	\$ 77,903
Tenant reimbursements	6,279	4,467	16,606	12,144
Other income	203	192	550	764
TOTAL RENTAL REVENUES	43,230	32,944	114,650	90,811
Management, leasing and development services	109	131	380	376
Interest income	—	228	445	228
TOTAL REVENUES	43,339	33,303	115,475	91,415
OPERATING EXPENSES				
Property expenses	11,229	8,978	29,987	24,480
General and administrative	5,843	5,067	16,052	13,190
Depreciation and amortization	17,971	13,341	46,085	37,165
TOTAL OPERATING EXPENSES	35,043	27,386	92,124	74,835
OTHER EXPENSES				
Acquisition expenses	16	380	421	1,490
Interest expense	6,271	3,804	14,571	10,774
TOTAL OTHER EXPENSES	6,287	4,184	14,992	12,264
TOTAL EXPENSES	41,330	31,570	107,116	87,099
Equity in income from unconsolidated real estate entities	—	1,328	11	1,451
Loss on extinguishment of debt	—	—	(22)	—
Gains on sale of real estate	—	—	19,237	11,563
NET INCOME	2,009	3,061	27,585	17,330
Less: net income attributable to noncontrolling interest	(21)	(63)	(684)	(533)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	1,988	2,998	26,901	16,797
Less: preferred stock dividends	(1,322)	(661)	(3,966)	(661)
Less: earnings allocated to participating securities	(80)	(70)	(327)	(223)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 586	\$ 2,267	\$ 22,608	\$ 15,913
Net income attributable to common stockholders per share - basic and diluted	\$ 0.01	\$ 0.03	\$ 0.33	\$ 0.26
Weighted average shares of common stock outstanding - basic	72,621,219	65,707,476	68,984,047	61,694,835
Weighted average shares of common stock outstanding - diluted	73,068,081	67,985,177	69,364,855	61,919,976
Dividends declared per common share	\$ 0.145	\$ 0.135	\$ 0.435	\$ 0.405

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 2,009	\$ 3,061	\$ 27,585	\$ 17,330
Other comprehensive income (loss): cash flow hedge adjustment	662	1,613	418	(2,794)
Comprehensive income	2,671	4,674	28,003	14,536
Comprehensive income attributable to noncontrolling interests	(29)	(112)	(677)	(470)
Comprehensive income attributable to Rexford Industrial Realty, Inc.	\$ 2,642	\$ 4,562	\$ 27,326	\$ 14,066

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands – except share data)

	Preferred Stock	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 Equity
Balance at January 1, 2017	\$ 86,651	66,454,375	\$ 662	\$ 907,834	\$ (59,277)	\$ 3,445	\$ 939,315	\$ 22,825	\$ 962,140
Issuance of common stock	—	11,043,880	110	308,994	—	—	309,104	—	309,104
Offering costs	—	—	—	(5,236)	—	—	(5,236)	—	(5,236)
Share-based compensation	—	67,132	1	1,711	—	—	1,712	2,478	4,190
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(31,403)	—	(798)	—	—	(798)	—	(798)
Conversion of units to common stock	—	61,256	—	618	—	—	618	(618)	—
Net income	3,966	—	—	—	22,935	—	26,901	684	27,585
Other comprehensive income	—	—	—	—	—	425	425	(7)	418
Preferred stock dividends	(3,966)	—	—	—	—	—	(3,966)	—	(3,966)
Common stock dividends	—	—	—	—	(31,236)	—	(31,236)	—	(31,236)
Distributions	—	—	—	—	—	—	—	(998)	(998)
Balance at September 30, 2017	<u>\$ 86,651</u>	<u>77,595,240</u>	<u>\$ 773</u>	<u>\$ 1,213,123</u>	<u>\$ (67,578)</u>	<u>\$ 3,870</u>	<u>\$ 1,236,839</u>	<u>\$ 24,364</u>	<u>\$ 1,261,203</u>

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	\$ —	55,598,684	\$ 553	\$ 722,722	\$ (48,103)	\$ (3,033)	\$ 672,139	\$ 21,605	\$ 693,744
Issuance of preferred stock	90,000	—	—	—	—	—	90,000	—	90,000
Issuance of common stock	—	10,350,000	104	182,574	—	—	182,678	—	182,678
Offering costs	(3,336)	—	—	(8,435)	—	—	(11,771)	—	(11,771)
Share-based compensation	—	77,093	1	1,489	—	—	1,490	1,500	2,990
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(25,236)	—	(501)	—	—	(501)	—	(501)
Conversion of units to common stock	—	47,800	—	505	—	—	505	(505)	—
Acquisition of real estate portfolio	—	—	—	—	—	—	—	125	125
Net income	—	—	—	—	16,797	—	16,797	533	17,330
Other comprehensive loss	—	—	—	—	—	(2,731)	(2,731)	(63)	(2,794)
Common stock dividends	—	—	—	—	(25,345)	—	(25,345)	—	(25,345)
Distributions	—	—	—	—	—	—	—	(898)	(898)
Balance at September 30, 2016	<u>\$ 86,664</u>	<u>66,048,341</u>	<u>\$ 658</u>	<u>\$ 898,354</u>	<u>\$ (56,651)</u>	<u>\$ (5,764)</u>	<u>\$ 923,261</u>	<u>\$ 22,297</u>	<u>\$ 945,558</u>

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 27,585	\$ 17,330
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income from unconsolidated real estate entities	(11)	(1,451)
Provision for doubtful accounts	863	1,105
Depreciation and amortization	46,085	37,165
Amortization of (below) above market lease intangibles, net	(1,203)	17
Accretion of loan origination fees	(150)	(75)
Deferred interest income on notes receivable	84	(42)
Loss on extinguishment of debt	22	—
Gain on sale of real estate	(19,237)	(11,563)
Amortization of debt issuance costs	853	748
Accretion of premium on notes payable	(131)	(178)
Equity based compensation expense	4,070	2,879
Straight-line rent	(3,259)	(3,412)
Change in working capital components:		
Rents and other receivables	(1,154)	(688)
Deferred leasing costs	(3,612)	(3,787)
Other assets	(2,301)	(10)
Accounts payable, accrued expenses and other liabilities	6,227	3,910
Tenant security deposits	2,054	1,830
Prepaid rents	1,344	232
Net cash provided by operating activities	58,129	44,010
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(532,108)	(308,277)
Capital expenditures	(29,182)	(23,687)
Acquisition related deposits	(1,075)	(400)
Distributions from unconsolidated real estate entities	11	5,530
Issuance of notes receivable	—	(5,700)
Principal repayments of note receivable	6,000	—
Proceeds from sale of real estate	64,406	20,435
Net cash used in investing activities	(491,948)	(312,099)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of preferred stock, net	—	87,032
Issuance of common stock, net	303,868	174,302
Proceeds from notes payable	552,000	263,000
Repayment of notes payable	(387,497)	(178,923)
Debt issuance costs	(2,266)	(1,924)
Debt extinguishment costs	(193)	—
Dividends paid to preferred stockholders	(3,966)	—
Dividends paid to common stockholders	(28,955)	(23,935)
Distributions paid to common unitholders	(981)	(900)
Repurchase of common shares to satisfy employee tax withholding requirements	(798)	(501)
Net cash provided by financing activities	431,212	318,151
(Decrease) increase in cash and cash equivalents	(2,607)	50,062
Cash and cash equivalents, beginning of period	15,525	5,201
Cash and cash equivalents, end of period	\$ 12,918	\$ 55,263
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of \$1,311 and \$1,315 for the nine months ended September 30, 2017 and 2016, respectively)	\$ 14,105	\$ 11,125
Supplemental disclosure of noncash investing and financing transactions:		
Capital expenditure accruals	\$ 1,659	\$ 2,886
Accrual of dividends	\$ 11,580	\$ 9,214
Accrual of offering costs	\$ —	\$ 427

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

REXFORD INDUSTRIAL REALTY, INC.
NOTES TO CONSOLIDATED 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 principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. As of September 30, 2017, our consolidated portfolio consisted of 146 properties with approximately 18.0 million rentable square feet. In addition, we currently manage 19 properties with approximately 1.2 million rentable square feet.

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).

Basis of Presentation

As of September 30, 2017, and December 31, 2016, and for the three and nine months ended September 30, 2017 and 2016, the financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the United States 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, 2017. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2016 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 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 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 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.

Restricted Cash

Restricted cash is generally comprised of cash proceeds from property sales that are being held by qualified intermediaries for purposes of facilitating tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"). As of September 30, 2017, and December 31, 2016, we did not have a balance in restricted cash.

Notes Receivable

We record notes receivable at the unpaid principal balance, net of any deferred origination fees, purchase discounts or premiums and valuation allowances, as applicable. We amortize net deferred origination fees, which are comprised of loan fees collected from the borrower, and purchase discounts or premiums over the contractual life of the loan using the effective interest method and immediately recognize in income any unamortized balances if the loan is repaid before its contractual maturity.

On July 1, 2016, we made a \$6.0 million mortgage loan secured by a 64,965 rentable square foot industrial property located in Rancho Cucamonga, California, that was subsequently repaid by the borrower on June 23, 2017. In connection with this origination, we collected a \$0.3 million loan fee from the borrower. The loan bore interest at 10% per annum and had a stated maturity date of June 30, 2017. Additionally, the borrower had the option to defer up to \$14 thousand of interest, otherwise payable per month, to be added to the principal to be paid in full on the maturity date. At the time of repayment, the outstanding principal balance on the loan was \$6.2 million.

Investments in Real Estate

Acquisitions

On January 5, 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, Business Combinations - Clarifying the Definition of a Business ("ASU 2017-01"), which provides a new framework for determining whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 clarifies that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar assets, the set of assets and activities is not a business. ASU 2017-01 also revises the definition of a business to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, and early adoption is permitted.

Effective January 1, 2017, we early adopted ASU 2017-01. We evaluated the acquisitions that we completed during the nine months ended September 30, 2017, and determined that under the new framework these transactions should be accounted for as asset acquisitions. See Note 3.

We evaluate each of our property acquisitions to determine whether the acquired set of assets and activities (collectively referred to as a "set") meets the definition of a business and will need to be accounted for as a business combination. A set would fail to qualify as a business if either (i) substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets or (ii) the set is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. An acquired process is considered substantive if (i) the process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce), that is skilled, knowledgeable, and experienced in performing the process, (ii) the process cannot be replaced without significant cost, effort, or delay or (iii) the process is considered unique or scarce.

We expect that most of our property acquisitions will generally not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or because the acquisition does not include a substantive process.

When we acquire a property that meets the business combination accounting criteria, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component on the acquisition date. The components

typically include land, building and improvements, tenant improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. Acquisition related costs are expensed as incurred. Because of the timing or complexity of completing certain fair value adjustments, the initial purchase price allocation may be incomplete at the end of a reporting period, in which case we may record provisional purchase price allocation amounts based on information available at the acquisition date. Subsequent adjustments to provisional amounts are recognized during the measurement period, which cannot exceed one year from the date of acquisition.

For acquisitions that do not meet the business combination accounting criteria, we allocate the cost of the acquisition, which includes any associated acquisition costs, to the individual assets and liabilities assumed on a relative fair value basis. As there is no measurement period concept for an asset acquisition, the allocated cost of the acquired assets should be finalized in the period in which the acquisition occurred.

We determine the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. This “as-if vacant” value is estimated using an income, or discounted cash flow, approach that relies upon Level 3 inputs, which are unobservable inputs based on the Company’s assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. In determining the “as-if-vacant” value for the properties we acquired during the nine months ended September 30, 2017, we used discount rates ranging from 6.00% to 9.50% and capitalization rates ranging from 4.75% to 7.50%.

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. In determining the fair value of acquisitions completed during the nine months ended September 30, 2017, we used an estimated average lease-up period ranging from six to eighteen months.

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.

Capitalization of Costs

We capitalize direct costs incurred in developing, renovating, rehabilitating and improving real estate assets as part of the investment basis. This includes certain general and administrative costs, including payroll, bonus and non-cash equity compensation of the personnel performing development, renovations and rehabilitation if such costs are identifiable to a specific activity to get the real estate asset ready for its intended use. During the development and construction periods of a project, we also capitalize interest, real estate taxes and insurance costs. We cease capitalization of costs upon substantial completion of the project, but no later than one year from cessation of major construction activity. If some portions of a project are substantially complete and ready for use and other portions have not yet reached that stage, we cease capitalizing costs on the completed portion of the project but continue to capitalize for the incomplete portion of the project. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred.

We capitalized interest costs of \$0.4 million and \$0.4 million during the three months ended September 30, 2017 and 2016, respectively, and \$1.3 million and \$1.3 million during the nine months ended September 30, 2017 and 2016, respectively. We capitalized real estate taxes and insurance costs aggregating \$0.3 million and \$0.2 million during the three months ended September 30, 2017 and 2016, respectively, and \$0.9 million and \$0.6 million during the nine months ended September 30, 2017 and 2016, respectively. We capitalized compensation costs for employees who provide construction services of \$0.5 million and \$0.3 million during the three months ended September 30, 2017 and 2016, respectively, and \$1.3 million and \$0.8 million during the nine months ended September 30, 2017 and 2016, respectively.

Depreciation and Amortization

Real estate, including land, building and land improvements, tenant improvements, furniture, fixtures and equipment 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.

The values allocated to buildings, site improvements, in-place lease intangibles and tenant improvements are depreciated on a straight-line basis using an estimated remaining life of 10-30 years for buildings, 5-20 years for site improvements, and the shorter of the estimated useful life or respective lease term for in-place lease intangibles and tenant improvements.

As discussed above in—*Investments in Real Estate—Acquisitions*, 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 acquired lease intangible asset or liability and amortized to “rental income” over the remaining term of the related leases.

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

Deferred Leasing Costs

We capitalize costs directly related to the successful origination of a lease. These costs include leasing commissions paid to third parties for new leases or lease renewals, as well as an allocation of compensation costs, including payroll, bonus and non-cash equity compensation of employees who spend time on lease origination activities. In determining the amount of compensation costs to be capitalized for these employees, allocations are made based on estimates of the actual amount of time spent working on successful leases in comparison to time spent on unsuccessful origination efforts. We capitalized compensation costs for these employees of \$0.3 million and \$0.1 million during the three months ended September 30, 2017 and 2016, respectively, and \$0.8 million and \$0.4 million during the nine months ended September 30, 2017 and 2016, respectively.

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 our investment that occur subsequent to our impairment analyses could impact these assumptions and result in future impairment of our real estate properties.

Investment in Unconsolidated Real Estate Entities

Investment in unconsolidated real estate entities in which we have the ability to exercise significant influence (but not control) are accounted for under the equity method of investment. Under the equity method, we initially record our investment at cost, and subsequently adjust for equity in earnings or losses and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as

an adjustment to equity in income (loss) from unconsolidated real estate entities over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the consolidated balance sheets, and our share of net income or loss from the joint venture is included within the consolidated statements of operations. Furthermore, distributions received from equity method investments are classified as either operating cash inflows or investing cash inflows in the consolidated statements of cash flows using the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment. See Note 11.

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. 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 and flow-through entities such as partnerships is reportable in the income tax returns of the respective equity holders. Accordingly, no income tax provision is included in the accompanying consolidated financial statements for the three and nine months ended September 30, 2017 and 2016.

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, 2017, and December 31, 2016, 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 7.

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 income in the accompanying consolidated 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.

Valuation of Receivables

We may be 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.

Rents and other receivables, net and deferred rent receivable, net consisted of the following as of September 30, 2017 and December 31, 2016 (in thousands):

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
Rents and other receivables	\$ 5,262	\$ 5,565
Allowance for doubtful accounts	(2,222)	(2,816)
Rents and other receivables, net	<u>\$ 3,040</u>	<u>\$ 2,749</u>
Deferred rent receivable	\$ 14,992	\$ 11,903
Allowance for doubtful accounts	(63)	(30)
Deferred rent receivable, net	<u>\$ 14,929</u>	<u>\$ 11,873</u>

We recorded the following provision for doubtful accounts, including amounts related to deferred rents, as a reduction to rental revenues in our consolidated statements of operations for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Provision for doubtful accounts	\$ 231	\$ 228	\$ 897	\$ 1,061

Equity Based Compensation

We account for equity based compensation in accordance with ASC Topic 718 *Compensation - Stock Compensation*. Total compensation cost for all share-based awards is based on the estimated fair market value on the grant date. For share-based awards that vest based solely on a service condition, we recognize compensation cost on a straight-line basis over the total requisite service period for the entire award. For share-based awards that vest based on a market or performance condition, we recognize compensation cost on a straight-line basis over the requisite service period of each separately vesting tranche. Forfeitures are recognized in the period in which they occur. See Note 12.

Equity Offering Costs

Underwriting commissions and offering costs related to our common stock issuances have been reflected as a reduction of additional paid-in capital. Underwriting commissions and offering costs related to our preferred stock issuance have been reflected as a direct reduction of the preferred stock balance.

Earnings Per Share

We calculate earnings per share (“EPS”) in accordance with ASC 260 - Earnings Per Share (“ASC 260”). Under ASC 260, nonvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in the computation of 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 number of shares of common stock outstanding for the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities. We include unvested shares of restricted stock and unvested LTIP units in the computation of diluted EPS by using the more dilutive of the two-class method or treasury stock method. We include unvested performance units as contingently issuable shares in the computation of diluted EPS once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted EPS calculation. See Note 13.

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.

Stock Compensation

On May 10, 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”)*, which clarifies the scope of modification accounting for share-based compensation arrangements by providing guidance on the types of changes to the terms and conditions of share-based compensation awards to which an entity would be required to apply modification accounting under ASC 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, *Leases (“ASC 842”)*, which sets out the principals for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

ASC 842 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured

on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASC 842 also requires lessees to classify leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification is used to evaluate whether the lease expense should be recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC 842 will impact the accounting and disclosure requirements for our ground lease and other operating leases, where we are the lessee. See Note 10 for a summary of rent expense and remaining contractual payments under our ground lease and corporate offices leases.

ASC 842 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. ASC 842 specifies that payments for certain lease-related services (for example, maintenance services, including common area maintenance), which are often included in lease agreements, represent "non-lease" components that will become subject to the guidance in ASC 2014-09, Revenue from Contracts with Customers, when ASC 842 becomes effective. Additionally, ASC 842 requires lessors to capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. As a result, compensation costs related to employees who spend time on lease origination activities, regardless of whether their time leads to a successful lease, will no longer be capitalized as initial direct costs and instead will be expensed as incurred. See "Deferred Leasing Costs" above for a summary of employee related compensation costs capitalized during the three and nine months ended September 30, 2017 and 2016.

ASC 842 is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. ASC 842 requires the use of a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest period presented in the consolidated financial statements, with certain practical expedients available. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

Revenue Recognition

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASC 606"). ASC 606 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. ASC 606 does not apply to lease contracts within the scope of Leases (Topic 840) except to the extent that a lease contract contains "non-lease" components, once ASC 842 becomes effective, as noted above. For public entities, ASC 606 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017. Early application is permitted for annual periods beginning after December 15, 2016. ASC 606 permits the use of either the full retrospective transition method or a modified retrospective transition method. We have formed an implementation project team and are continuing to work on the evaluation and implementation of the guidance as it relates to property management and leasing services revenue and other property-related revenues that may fall under the scope of ASC 606. We expect to adopt ASC 606 on January 1, 2018, using the modified retrospective transition method.

Adoption of New Accounting Pronouncements

On November 17, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18"), which requires an entity's reconciliation of the beginning of period and end of period amounts shown in the statement of cash flows to include with cash and cash equivalents, amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We early adopted ASU 2016-18, effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, we have included restricted cash with cash and cash equivalents in our reconciliation of beginning of period and end of period amounts shown in our consolidated statements of cash flows for all periods presented. As a result of the adoption of ASU 2016-18, changes in restricted cash are no longer presented as a separate line item within cash flows from investing activities in our consolidated statements of cash flows since we have included restricted cash with cash and cash equivalents in our reconciliation of beginning and end of period amounts shown in our consolidated statements of cash flows. The adoption of ASU 2016-18 did not affect our statement of cash flows presentation for the nine months ended September 30, 2017 and September 30, 2016, as we did not have any restricted cash.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which addresses certain classification issues related to the statement of cash flows, including: (i) debt prepayment or debt extinguishment costs, (ii) contingent consideration payments made after a

business combination and (iii) distributions received from equity method investees. ASU 2016-15 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We early adopted ASU 2016-15, effective July 1, 2016, and elected, as part of the adoption, to classify distributions received from equity method investees under the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment and classified as either operating cash inflows or investing cash inflows. The adoption of ASU 2016-15 did not affect have a material impact on our consolidated statements of cash flows.

3. Investments in Real Estate

Acquisitions

The following table summarizes the wholly-owned industrial properties we acquired during the nine months ended September 30, 2017:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price ⁽¹⁾ (in thousands)
28903 Avenue Paine ⁽²⁾	Los Angeles - San Fernando Valley	2/17/2017	111,346	1	\$ 17,060
2390 Ward Avenue ⁽³⁾	Ventura	4/28/2017	138,700	1	16,499
Safari Business Center ⁽⁴⁾	Inland Empire - West	5/24/2017	1,138,090	16	141,200
4175 Conant Street ⁽⁵⁾	Los Angeles - South Bay	6/14/2017	142,593	1	30,600
5421 Argosy Avenue ⁽⁵⁾	Orange County - West	6/15/2017	35,321	1	5,300
14820-14830 Carmenita Road ⁽²⁾	Los Angeles - Mid-counties	6/30/2017	198,062	3	30,650
3002-3072 Inland Empire Blvd ⁽²⁾	Inland Empire - West	7/3/2017	218,407	4	26,900
17000 Kingsview Avenue ⁽²⁾	Los Angeles - South Bay	7/11/2017	100,121	1	13,986
Rancho Pacifica Park ⁽⁶⁾	Los Angeles - South Bay	7/18/2017	1,170,806	6	210,500
11190 White Birch Drive ⁽²⁾	Inland Empire - West	7/20/2017	201,035	1	19,810
4832-4850 Azusa Canyon Road ⁽²⁾	Los Angeles - San Gabriel Valley	7/28/2017	87,421	1	14,550
1825 Soto Street ⁽⁵⁾	Los Angeles - Central	9/8/2017	25,040	2	3,475
19402 Susana Road ⁽⁵⁾	Los Angeles - South Bay	9/13/2017	15,433	1	3,942
Total 2017 Wholly-Owned Property Acquisitions			3,582,375	39	\$ 534,472

(1) Represents the gross contractual purchase price before prorations and closing costs. Does not include capitalized acquisition costs totaling \$1.4 million.

(2) This acquisition was funded with available cash on hand and borrowings under our unsecured revolving credit facility.

(3) This acquisition was partially funded through a 1031 Exchange using \$6.5 million of net cash proceeds from the sale of our property located at 9375 Archibald Avenue and borrowings under our unsecured revolving credit facility.

(4) This acquisition was partially funded through a 1031 Exchange using \$39.7 million of net cash proceeds from the sale of our property located at 2535 Midway Drive, borrowings under our unsecured revolving credit facility and available cash on hand.

(5) This acquisition was funded with available cash on hand.

(6) This acquisition was partially funded with net cash proceeds from the issuance of \$125.0 million of senior unsecured guaranteed notes and borrowings under our unsecured revolving credit facility.

The following table summarizes the fair value of amounts allocated to each major class of asset and liability for the acquisitions noted in the table above, as of the date of each acquisition (in thousands):

	Rancho Pacifica Park	Other 2017 Acquisitions	Total 2017 Acquisitions
Assets:			
Land	\$ 121,329	\$ 147,757	\$ 269,086
Buildings and improvements	85,336	159,905	245,241
Tenant improvements	1,440	4,662	6,102
Acquired lease intangible assets ⁽¹⁾	8,852	17,144	25,996
Other acquired assets ⁽²⁾	5	144	149
Total assets acquired	216,962	329,612	546,574
Liabilities:			
Acquired lease intangible liabilities ⁽³⁾	6,264	5,032	11,296
Other assumed liabilities ⁽²⁾	1,126	2,044	3,170
Total liabilities assumed	7,390	7,076	14,466
Net assets acquired	\$ 209,572	\$ 322,536	\$ 532,108

- (1) For Rancho Pacifica Park, acquired lease intangible assets is comprised of in-place lease intangibles with weighted average amortization period of 3.2 years. For the other 2017 acquisitions, acquired lease intangible assets is comprised of \$15.8 million of in-place lease intangibles with a weighted average amortization period of 4.6 years and \$1.3 million of above-market lease intangibles with a weighted average amortization period of 11.1 years.
- (2) Includes other working capital assets acquired and liabilities assumed, at the time of acquisition.
- (3) Represents below-market lease intangibles with a weighted average amortization period of 3.5 years and 3.3 years for Rancho Pacifica Park and the other 2017 acquisitions, respectively.

The following table sets forth the results of operations for the three and nine months ended September 30, 2017, for the properties acquired during the nine months ended September 30, 2017, included in the consolidated statements of operations from the date of acquisition (in thousands):

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017
Total revenues	\$ 8,084	\$ 9,475
Net income	\$ 951	\$ 729

The following table sets forth unaudited pro-forma financial information (in thousands) as if the closing of our acquisitions during the nine months ended September 30, 2017, had occurred on January 1, 2016. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as (i) increased rental revenues for the amortization of the net amount of above- and below-market rents acquired in the acquisitions, (ii) increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions and (iii) increased interest expense for borrowings associated with these acquisitions. These pro-forma results have not been adjusted for property sales completed during the nine months ended September 30, 2017. 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, 2016, and may not be indicative of future operating results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Total revenues	\$ 43,936	\$ 41,109	\$ 130,645	\$ 113,954
Net income attributable to common stockholders	\$ 738	\$ 1,173	\$ 22,340	\$ 11,082
Net income attributable to common stockholders per share - basic	\$ 0.01	\$ 0.02	\$ 0.32	\$ 0.18
Net income attributable to common stockholders per share - diluted	\$ 0.01	\$ 0.02	\$ 0.32	\$ 0.18

Dispositions

The following table summarizes the properties we sold during the nine months ended September 30, 2017:

Property	Submarket	Date of Disposition	Rentable Square Feet	Contractual Sales Price ⁽¹⁾ (in thousands)	Gain Recorded (in thousands)
9375 Archibald Avenue	Inland Empire West	3/31/2017	62,677	\$ 6,875	\$ 2,668
2535 Midway Drive	San Diego - Central	5/17/2017	373,744	\$ 40,050	\$ 15,974
2811 Harbor Boulevard	Orange County - Airport	6/28/2017	126,796	\$ 18,700	\$ 595
Total			563,217	\$ 65,625	\$ 19,237

(1) Represents the gross contractual sales price before commissions, prorations and other closing costs.

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 (in thousands):

	September 30, 2017	December 31, 2016
Acquired Lease Intangible Assets:		
In-place lease intangibles	\$ 91,760	\$ 68,234
Accumulated amortization	(48,126)	(37,648)
In-place lease intangibles, net	43,634	30,586
Above-market tenant leases	10,896	10,191
Accumulated amortization	(5,383)	(4,412)
Above-market tenant leases, net	5,513	5,779
Acquired lease intangible assets, net	\$ 49,147	\$ 36,365
Acquired Lease Intangible Liabilities:		
Below-market tenant leases	\$ (23,594)	\$ (12,426)
Accumulated accretion	5,604	3,477
Below-market tenant leases, net	(17,990)	(8,949)
Above-market ground lease	(290)	(290)
Accumulated accretion	133	109
Above-market ground lease, net	(157)	(181)
Acquired lease intangible liabilities, net	\$ (18,147)	\$ (9,130)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
In-place lease intangibles ⁽¹⁾	\$ 4,708	\$ 3,561	\$ 10,812	\$ 9,849
Net above (below)-market tenant leases ⁽²⁾	\$ (877)	\$ (31)	\$ (1,179)	\$ 41
Above-market ground lease ⁽³⁾	\$ (8)	\$ (8)	\$ (24)	\$ (24)

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

5. Notes Payable

The following table summarizes the balance of our indebtedness as of September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017	December 31, 2016
Principal amount	\$ 666,979	\$ 502,476
Less: unamortized discount and debt issuance costs ⁽¹⁾	(2,770)	(2,292)
Carrying value	\$ 664,209	\$ 500,184

- (1) Excludes unamortized debt issuance costs related to our unsecured revolving credit facility, which are presented in the line item "Deferred loan costs, net" in the consolidated balance sheets.

The following table summarizes the components and significant terms of our indebtedness as of September 30, 2017, and December 31, 2016 (dollars in thousands):

	September 30, 2017		December 31, 2016		Contractual Maturity Date	Stated Interest Rate ⁽¹⁾	Effective Interest Rate ⁽²⁾
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Principal Amount	Unamortized Discount and Debt Issuance Costs			
Secured Debt							
\$60M Term Loan ⁽³⁾	\$ 59,087	\$ (145)	\$ 59,674	\$ (204)	8/1/2019 ⁽⁴⁾	LIBOR+1.90%	3.95%
Gilbert/La Palma ⁽⁵⁾	2,803	(139)	2,909	(145)	3/1/2031	5.125%	5.41%
12907 Imperial Highway ⁽⁶⁾	5,089	82	5,182	180	4/1/2018	5.950%	3.32%
1065 Walnut Street	—	—	9,711	192	2/1/2019	N/A	N/A
Unsecured Debt							
\$100M Term Loan Facility	100,000	(364)	100,000	—	2/14/2022	LIBOR+1.20% ⁽⁷⁾	3.18% ⁽⁸⁾
Revolving Credit Facility	50,000	—	—	—	2/12/2021 ⁽⁹⁾	LIBOR+1.10% ⁽⁷⁾⁽¹⁰⁾	2.33%
\$225M Term Loan Facility	225,000	(1,469)	225,000	(1,680)	1/14/2023	LIBOR+1.50% ⁽⁷⁾	2.86%
\$100M Notes	100,000	(595)	100,000	(635)	8/6/2025	4.290%	4.37%
\$125M Notes	125,000	(140)	—	—	7/13/2027	3.930%	3.94%
Total	\$ 666,979	\$ (2,770)	\$ 502,476	\$ (2,292)			

(1) Reflects the contractual interest rate under the terms of the loan, as of September 30, 2017.

(2) Reflects the effective interest rate as of September 30, 2017, which includes the effect of the amortization of discounts/premiums and debt issuance costs and the effect of interest rate swaps that are effective as of September 30, 2017.

(3) This term loan is secured by six properties. Beginning August 15, 2016, monthly payments of interest and principal are based on a 30-year amortization table. As of September 30, 2017, the interest rate on this variable-rate term loan has been effectively fixed through the use of two interest rate swaps, one of which is an amortizing swap. See Note 7 for details.

(4) One additional one-year extension available at the borrower's option.

(5) Monthly payments of interest and principal are based on a 20-year amortization table.

(6) Monthly payments of interest and principal are based on a 30-year amortization table, with a balloon payment at maturity.

(7) The LIBOR margin will range from 1.20% to 1.70% for the \$100.0 million term loan facility, 1.10% to 1.50% for the revolving credit facility and 1.50% to 2.25% for the \$225.0 million term loan facility depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value, or leverage ratio, which is measured on a quarterly basis.

(8) As of September 30, 2017, the interest on the \$100.0 million term loan facility has been effectively fixed through the use of two interest rate swaps. See Note 7 for details.

(9) Two additional six-month extensions available at the borrower's option.

(10) The unsecured revolving credit facility is subject to an applicable facility fee which is calculated as a percentage of the total lenders' commitment amount, regardless of usage. The applicable facility fee will range from 0.15% to 0.30% depending upon our leverage ratio.

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts/premiums and debt issuance costs, as of September 30, 2017, and does not consider extension options available to us as noted in the table above (in thousands):

October 1, 2017 - December 31, 2017	\$	263
2018		5,991
2019		58,266
2020		166
2021		50,175
Thereafter		552,118
Total	\$	666,979

Loan Repayment

On March 20, 2017, we repaid the \$9.7 million outstanding balance on the 1065 Walnut Street mortgage loan in advance of the February 1, 2019 maturity date. In connection with the repayment, we incurred prepayment fees of \$0.2 million which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations. The loss on extinguishment of debt also includes the write-off of the unamortized debt premium of \$0.2 million.

Amended Credit Agreement

On February 14, 2017, we amended our \$300.0 million senior unsecured credit facility by entering into a second amended and restated credit agreement (the "Amended Credit Agreement"), which provides for a \$450.0 million senior unsecured credit facility, comprised of a \$350.0 million unsecured revolving credit facility (the "Amended Revolver") and a \$100.0 million unsecured term loan facility (the "Amended \$100 Million Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available, and the Amended \$100 Million Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended \$100 Million Term Loan, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement, is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.10% to 1.50% for LIBOR-based loans and 0.10% to 0.50% for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended \$100 Million Term Loan range in amount from 1.20% to 1.70% for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.825% to 1.55% for LIBOR-based loans and 0.00% to 0.55% for Base Rate-based loans, depending on such rating, and the margins for the Amended \$100 Million Term Loan will range in amount from 0.90% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for Base Rate-based loans, depending on such rating.

In addition to the interest payable on amounts outstanding under the Amended Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on each lender's commitment amount under the Amended Revolver, regardless of usage. The applicable facility fee will range in amount from 0.15% to 0.30%, depending on our leverage ratio. In the event that we convert the pricing structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

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

The Amended Revolver and the Amended \$100 Million Term Loan may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Amended \$100 Million Term Loan and repaid or prepaid may not be reborrowed.

The Amended Credit Agreement 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 Credit Agreement 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 Credit Agreement, 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.

On September 30, 2017, we had \$50.0 million outstanding under the Amended Revolver, leaving \$300.0 million available for additional borrowings.

Note Purchase Agreement

On July 13, 2017, we entered into a Note Purchase and Guarantee Agreement (the “NPGA”) for the private placement of \$125.0 million of senior unsecured guaranteed notes, maturing on July 13, 2027, with a fixed annual interest rate of 3.93% (the “\$125 Million Notes”). On July 13, 2017, we completed the issuance of the \$125 Million Notes.

Interest on the \$125 Million Notes will be payable quarterly on the thirteenth day of January, April, July and October in each year, commencing on October 13, 2017. We may prepay at any time all or, from time to time, any part of the \$125 Million Notes, in amounts not less than \$2.5 million of the \$125 Million Notes then outstanding at (i) 100% of the principal amount so prepaid and (ii) the Make-Whole Amount (as defined in the NPGA). Our obligations under the \$125 Million Notes are fully and unconditionally guaranteed by us and certain of our subsidiaries.

Debt Covenants

The Amended Credit Agreement, the \$225 million unsecured term loan facility (the “\$225 Million Term Loan Facility”), the \$100 million unsecured guaranteed senior notes (the “\$100 Million Notes”), and the \$125 Million Notes all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- For the Amended Credit Agreement and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the \$100 Million Notes and the \$125 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;
- Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) 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 (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes also provide that our distributions may not exceed the greater of (i) 95.0% of our funds from operations or (ii) the amount required for us to qualify and maintain our status as a REIT and avoid the payment of federal or state income or excise tax in any 12-month period.

Additionally, subject to the terms of the \$100 Million Notes and the \$125 Million Notes (together the “Notes”), upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60.0 million term loan contains a financial covenant that is tested on a quarterly basis, which requires us to maintain a minimum Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00.

We were in compliance with all of our required quarterly debt covenants as of September 30, 2017.

6. 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 statements of operations as tenant reimbursements.

Future minimum base rent under operating leases as of September 30, 2017, is summarized as follows (in thousands):

Twelve months ended September 30,		
2018	\$	135,149
2019		118,231
2020		96,181
2021		66,766
2022		40,994
Thereafter		106,225
Total	\$	<u>563,546</u>

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.

7. Interest Rate Swaps

Risk Management Objective of Using Derivatives

We are exposed to certain risks 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 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 designated as cash flow hedges 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 value. We do not use derivatives for trading or speculative purposes.

The effective portion of the change in fair value of derivatives designated and qualifying as cash flow hedges is initially recorded in accumulated other comprehensive income/(loss) ("AOCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings.

On August 11, 2017, we entered into an interest rate swap transaction to manage our exposure to fluctuations in variable interest rate associated with the Amended \$100 Million Term Loan. The interest rate swap has a notional value of \$100.0 million with an effective date of December 14, 2018, and a maturity date of August 14, 2021 (the "New Swap"). The effective date coincides with the termination date of our two in-place interest rate swaps, each of which has a notional value of \$50 million, that currently fix the annual interest rate payable on the Amended \$100 Million Term Loan at 1.8975% plus an applicable margin under the terms of the Amended Credit Agreement. Under the terms of the New Swap, we are required to

make certain monthly fixed rate payments calculated on a notional value of \$100 million, while the counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional value. Upon termination of the two in-place swaps, the New Swap will effectively fix the annual interest rate payable on the Amended \$100 Million Term Loan at 1.764% plus an applicable margin under the terms of the Amended Credit Agreement.

The following table sets forth a summary of our interest rate swaps at September 30, 2017 and December 31, 2016 (dollars in thousands):

Derivative Instrument	Effective Date	Maturity Date	Interest Strike Rate	Fair Value		Current Notional Value ⁽¹⁾	
				September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Assets⁽²⁾:							
Interest Rate Swap	2/14/2018	1/14/2022	1.349%	\$ 2,521	\$ 3,245	\$ —	\$ —
Interest Rate Swap	8/14/2018	1/14/2022	1.406%	\$ 1,763	\$ 2,349	\$ —	\$ —
Interest Rate Swap	12/14/2018	8/14/2021	1.764%	\$ 468	\$ —	\$ —	\$ —
Liabilities⁽³⁾:							
Interest Rate Swap	1/15/2015	2/15/2019	1.826%	\$ 121	\$ 338	\$ 30,000	\$ 30,000
Interest Rate Swap	7/15/2015	2/15/2019	2.010%	\$ 187	\$ 440	\$ 29,087	\$ 29,674
Interest Rate Swap	8/14/2015	12/14/2018	1.790%	\$ 174	\$ 529	\$ 50,000	\$ 50,000
Interest Rate Swap	2/16/2016	12/14/2018	2.005%	\$ 303	\$ 738	\$ 50,000	\$ 50,000

(1) Represents the notional value of swaps that are effective as of the balance sheet date presented.

(2) The fair value of these interest rate swaps is included in the line item “Interest rate swap asset” in the accompanying consolidated balance sheets.

(3) The fair value of these interest rate swaps is included in the line item “Interest rate swap liability” in the accompanying consolidated balance sheets.

Derivative instruments that are subject to master netting arrangements and qualify for net presentation in the consolidated balance sheets are presented on a gross basis in the consolidated balance sheets as of September 30, 2017 and December 31, 2016. As of September 30, 2017, if we had recognized these derivative instruments on a net basis, we would have reported an interest rate swap asset of \$4.0 million and an interest rate swap liability of zero, which represent the net balances after the effect of offsetting with counterparties where we had both derivative assets and derivative liabilities.

The following table sets forth the impact of our interest rate swaps on our consolidated statements of operations for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest Rate Swaps in Cash Flow Hedging Relationships:				
Amount of gain (loss) recognized in AOCI on derivatives (effective portion)	\$ 382	\$ 1,036	\$ (672)	\$ (4,465)
Amount of loss reclassified from AOCI into earnings under “Interest expense” (effective portion)	\$ (280)	\$ (577)	\$ (1,090)	\$ (1,671)
Amount of gain (loss) recognized in earnings under “Interest expense” (ineffective portion and amount excluded from effectiveness testing)	\$ —	\$ —	\$ —	\$ —

During the next twelve months, we estimate that an additional \$0.5 million will be reclassified from AOCI into earnings as an increase to interest expense.

Credit-risk-related Contingent Features

Certain of our agreements with our derivative counterparties 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.

8. 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 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 September 30, 2017, 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 September 30, 2017 and December 31, 2016, which we measure on a recurring basis by level within the fair value hierarchy (in thousands).

	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)
<i>September 30, 2017</i>				
Interest Rate Swap Asset	\$ 4,752	\$ —	\$ 4,752	\$ —
Interest Rate Swap Liability	\$ (785)	\$ —	\$ (785)	\$ —
<i>December 31, 2016</i>				
Interest Rate Swap Asset	\$ 5,594	\$ —	\$ 5,594	\$ —
Interest Rate Swap Liability	\$ (2,045)	\$ —	\$ (2,045)	\$ —

Financial Instruments Disclosed at Fair Value

The carrying amounts of cash and cash equivalents, 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.

The fair value of our 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 contractual maturity date.

The table below sets forth the carrying value and the estimated fair value of our notes payable as of September 30, 2017 and December 31, 2016 (in thousands):

Liabilities	Fair Value Measurement Using				Carrying Value
	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)	
Notes Payable at:					
September 30, 2017	\$ 670,134	\$ —	\$ —	\$ 670,134	\$ 664,209
December 31, 2016	\$ 507,733	\$ —	\$ —	\$ 507,733	\$ 500,184

9. Related Party Transactions

Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management 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 statements of operations. We recorded \$0.1 million and \$0.1 million for the three months ended September 30, 2017 and 2016, respectively, and \$0.3 million and \$0.2 million for the nine months ended in September 30, 2017 and 2016, respectively, in management, leasing and development services revenue.

10. Commitments and Contingencies

Legal

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Environmental

We generally will perform environmental site assessments at properties we are considering acquiring. After the acquisition of such properties, we continue to monitor the properties for the presence of hazardous or toxic substances. From time to time, we acquire properties with known adverse environmental conditions. If at the time of acquisition, losses associated with environmental remediation obligations are probable and can be reasonably estimated, we record a liability.

On February 25, 2014, we acquired the property located at West 228th Street. Before purchasing the property during the due diligence phase, we engaged a third party environmental consultant to perform various environmental site assessments to determine the presence of any environmental contaminants that might warrant remediation efforts. Based on their investigation, they determined that hazardous substances existed at the property and that additional assessment and remediation work would likely be required to satisfy regulatory requirements. The total remediation costs were estimated to be \$1.3 million, which includes remediation, processing and oversight costs.

To address the estimated costs associated with the environmental issues at the West 228th Street property, we entered into an Environmental Holdback Escrow Agreement (the "Holdback Agreement") with the former owner, whereby \$1.4 million was placed into an escrow account to be used to pay remediation costs. To fund the \$1.4 million, the escrow holder withheld \$1.3 million of the purchase price, which would have otherwise been paid to the seller at closing, and the Company funded an additional \$0.1 million. According to the Holdback Agreement, the seller has no liability or responsibility to pay for remediation costs in excess of \$1.3 million.

As of September 30, 2017, and December 31, 2016, we had a \$1.1 million and \$1.1 million contingent liability recorded in our consolidated balance sheets included in the line item "Accounts payable and accrued expenses," reflecting the estimated remaining cost to remediate environmental liabilities at West 228th Street that existed prior to the acquisition date. As of September 30, 2017, and December 31, 2016, we also had a \$1.1 million and \$1.1 million corresponding indemnification asset recorded in our consolidated balance sheets included in the line item "Other assets," reflecting the estimated costs we expect the former owner to cover pursuant to the Holdback Agreement.

We expect that the resolution of the environmental matters relating to the above will not have a material impact on our consolidated financial condition, results of operations or cash flows. However, we cannot assure you that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that such environmental liabilities arise. Furthermore, we cannot assure you that future changes to environmental laws or regulations and their application will not give rise to loss contingencies for future environmental remediation.

Rent Expense

As of September 30, 2017, 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. We recognized rental expense for our ground lease in the amount of \$36 thousand and \$36 thousand for the three months ended September 30, 2017 and 2016, respectively, and \$0.1 million and \$0.1 million for the nine months ended September 30, 2017 and 2016, respectively. As part of conducting our day-to-day business, we also lease office space under operating leases. We recognized rental expense for our corporate and satellite office leases in the amount of \$0.1 million and \$0.1 million for the three months ended September 30, 2017 and 2016, respectively, and \$0.3 million and \$0.4 million for the nine months ended September 30, 2017 and 2016, respectively.

The future minimum commitment under our ground lease and corporate and satellite office leases as of September 30, 2017, is as follows (in thousands):

	Office Leases		Ground Lease	
October 1, 2017 - December 31, 2017	\$	185	\$	36
2018		783		144
2019		569		144
2020		164		144
2021		120		144
Thereafter		—		5,820
Total	\$	1,821	\$	6,432

On September 14, 2016 (the “Effective Date”), we entered into a ground lease for approximately 1.58 million square feet of land located in Corona, California, with the intention to develop buildings on the site. Under the terms of the ground lease, we had up to 420 days from the Effective Date, subject to certain conditions, to satisfy and waive certain contingencies, or terminate the ground lease for any reason. On March 13, 2017, we terminated the ground lease. As a result of the termination, we wrote-off \$0.3 million of previously incurred transaction costs to the line item “Acquisition expenses” in the consolidated statements of operations.

Tenant and Construction Related Commitments

As of September 30, 2017, we had commitments of approximately \$20.4 million for tenant improvement and construction work under the terms of leases with certain of our tenants and contractual agreements with our construction vendors.

Concentrations of Credit Risk

We have deposited cash with financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Although we have deposits at institutions in excess of federally insured limits as of September 30, 2017, we do not believe we are exposed to significant credit risk due to the financial position of the institutions in which those deposits are held.

As of September 30, 2017, all of our properties are located in the Southern California infill markets. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate.

During the nine months ended September 30, 2017, no single tenant accounted for more than 5% of our total consolidated rental revenues.

11. Investment in Unconsolidated Real Estate Entities

On July 6, 2016, we acquired the property located at 3233 Mission Oaks Boulevard (the “JV Property”) from our joint venture (the “JV”) for a contract price of \$25.7 million. Prior to the acquisition, our ownership interest in the JV property was 15.0%. As a result of the acquisition, we own 100% of the JV property and are accounting for it on a consolidated basis.

Following the sale of the JV property, the JV distributed all of its available cash, with the exception of a small amount of working capital which was retained to cover any residual costs associated with the winding down of the JV. During the nine months ended September 30, 2017, the remaining assets were liquidated by the JV and we received a final distribution in the amount of \$11 thousand which is reported in the line item “Equity in income from unconsolidated real estate entities” in the consolidated statements of operations.

Management Services

During the time that the JV owned the JV Property, we performed property and construction management services for the JV Property. We earned fees and commissions for these services totaling zero and zero for the three months ended

September 30, 2017 and 2016, respectively, and zero and \$0.1 million for the nine months ended September 30, 2017 and 2016, respectively, which are included in the line item “Management, leasing and development services” in the consolidated statements of operations.

12. Equity

Common Stock

On September 21, 2017, we established a new at-the-market equity offering program (the “\$300 Million ATM Program”) pursuant to which we may sell from time to time up to an aggregate of \$300.0 million of our common stock through sales agents. The \$300 Million ATM Program replaces our previous \$150.0 million at-the-market equity offering program, which was established on June 12, 2017 (the “\$150 Million ATM Program”). As of September 30, 2017, all \$150.0 million of shares of our common stock under the \$150 Million Program have been sold. In addition, we previously established a \$125.0 million at-the-market program on April 17, 2015, of which all \$125.0 million of shares of our common stock have been sold as of September 30, 2017.

During the nine months ended September 30, 2017, we sold a total of 11,043,880 shares of our common stock under our various at-the-market equity offering programs, at a weighted average price of \$27.99 per share, for gross proceeds of \$309.1 million, and net proceeds of \$304.5 million, after deducting the sales agents’ fee. As of September 30, 2017, we had the capacity to issue up to an additional \$256.6 million of common stock under the \$300 Million ATM Program. Actual sales going forward, if any, will depend on a variety of factors, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Noncontrolling Interests

Noncontrolling interests in our Operating Partnership relate to interests in the Operating Partnership that are not owned by us. As of September 30, 2017, noncontrolling interests consisted of 1,905,740 OP Units and 41,668 fully-vested LTIP units and represented approximately 2.5% of our Operating Partnership. OP Units and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss and distributions of our Operating Partnership. Investors who own OP Units 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.

During the nine months ended September 30, 2017, 61,256 OP Units were converted into an equivalent number of shares of common stock, resulting in the reclassification of \$0.6 million of noncontrolling interest to Rexford Industrial Realty, Inc.’s stockholders’ equity.

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, dividend equivalents, stock payments, restricted stock units, performance shares, LTIP units of partnership interest in our Operating Partnership (“LTIP units”), performance units in our Operating Partnership (“Performance Units”), and other stock based and cash awards to our non-employee directors, employees and consultants. The aggregate number of shares of our common stock, LTIP units and Performance Units that may be issued or transferred pursuant to the Plan is 2,272,689 shares (of which 853,249 shares of common stock, LTIP units and Performance Units remain available for issuance as of September 30, 2017).

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 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 are participating securities and have full voting rights and nonforfeitable rights to dividends.

LTIP units and Performance Units are each a class of limited partnership units in the Operating Partnership. Initially, LTIP units and performance units do not have full parity with OP Units with respect to liquidating distributions. However, upon the occurrence of certain events described in the Operating Partnership’s partnership agreement, the LTIP units and Performance Units can over time achieve full parity with the OP Units for all purposes. If such parity is reached, vested LTIP units and Performance Units may be converted into an equal number of OP Units, and, upon conversion, enjoy all rights of OP

Units. LTIP Units, whether vested or not, receive the same quarterly per-unit distributions as OP Units, which equal the per-share distributions on shares of our common stock. Performance Units that have not vested receive a quarterly per-unit distribution equal to 10% of the distributions paid on OP Units.

The following table sets forth our share-based award activity for the nine months ended September 30, 2017:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units
Balance at January 1, 2017	287,827	241,691	514,998
Granted	103,091	—	—
Forfeited	(35,959)	—	—
Vested ⁽¹⁾	(97,092)	—	—
Balance at September 30, 2017	257,867	241,691	514,998

- (1) During the nine months ended September 30, 2017, 31,403 shares of the Company's common stock were tendered in accordance with the terms of the Plan to satisfy minimum statutory tax withholding requirements associated with the vesting of restricted shares of common stock.

The following table sets forth the vesting schedule of all unvested share-based awards outstanding as of September 30, 2017:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units ⁽¹⁾
October 1, 2017 - December 31, 2017	81,993	70,837	—
2018	69,720	70,842	315,998
2019	50,182	70,838	199,000
2020	36,657	29,174	—
2021	19,315	—	—
Total	257,867	241,691	514,998

- (1) Represents the maximum number of Performance Units that would be earned on December 14, 2018 and December 29, 2019, in the event that specified maximum total shareholder return ("TSR") goals are achieved over the three-year performance period from December 15, 2015 through December 14, 2018 and the three-year performance period from December 29, 2016 through December 28, 2019, respectively. The number of Performance Units that ultimately vest will be based on both the Company's absolute TSR and TSR performance relative to a peer group over each three-year performance period. The maximum number of Performance Units will be earned under the awards if the Company both (i) achieves 50% or higher absolute TSR, inclusive of all dividends paid, over each performance period and (ii) finishes in the 75th or greater percentile of the peer group for TSR over each three-year performance period.

The following table sets forth the amounts expensed and capitalized for all share-based awards for the reported periods presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expensed share-based compensation ⁽¹⁾	\$ 1,329	\$ 991	\$ 4,070	\$ 2,879
Capitalized share-based compensation ⁽²⁾	7	38	120	111
Total share-based compensation	\$ 1,336	\$ 1,029	\$ 4,190	\$ 2,990

- (1) Amounts expensed are included in "General and administrative" and "Property expenses" in the accompanying consolidated statements of operations.

- (2) Amounts capitalized, which relate to employees who provide construction and leasing services, are included in “Building and improvements” and “Deferred leasing costs, net” in the consolidated balance sheets.

As of September 30, 2017, there was \$7.5 million of total unrecognized compensation expense related to all unvested share-based awards expected to vest, of which we estimate \$0.4 million will be capitalized for employees who provide construction and leasing services. As of September 30, 2017, this total unrecognized compensation expense is expected to be recognized over a weighted average remaining period of 26 months.

Changes in Accumulated Other Comprehensive Income

The following table summarizes the changes in our AOCI balance for the nine months ended September 30, 2017 and 2016, which consists solely of adjustments related to our cash flow hedges (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Beginning Balance	\$ 3,445	\$ (3,033)
Other comprehensive loss before reclassifications	(672)	(4,465)
Amounts reclassified from accumulated other comprehensive loss to interest expense	1,090	1,671
Net current period other comprehensive income (loss)	418	(2,794)
Less other comprehensive loss attributable to noncontrolling interests	7	63
Other comprehensive income (loss) attributable to common stockholders	425	(2,731)
Ending Balance	<u>\$ 3,870</u>	<u>\$ (5,764)</u>

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Net income	\$ 2,009	\$ 3,061	\$ 27,585	\$ 17,330
Less: Preferred stock dividends	(1,322)	(661)	(3,966)	(661)
Less: Net income attributable to noncontrolling interests	(21)	(63)	(684)	(533)
Less: Net income attributable to participating securities	(80)	(70)	(327)	(223)
Net income attributable to common stockholders	\$ 586	\$ 2,267	\$ 22,608	\$ 15,913
Add back: Net income attributable to noncontrolling interests	—	63	—	—
Numerator for diluted net income attributable to common stockholders	\$ 586	\$ 2,330	\$ 22,608	\$ 15,913
Denominator:				
Weighted average shares of common stock outstanding – basic	72,621,219	65,707,476	68,984,047	61,694,835
Effect of dilutive securities - performance units	446,862	286,697	380,808	225,141
Effect of dilutive securities - operating partnership units	—	1,991,004	—	—
Weighted average shares of common stock outstanding – diluted	73,068,081	67,985,177	69,364,855	61,919,976
Earnings per share — Basic				
Net income attributable to common stockholders	\$ 0.01	\$ 0.03	\$ 0.33	\$ 0.26
Earnings per share — Diluted				
Net income attributable to common stockholders	\$ 0.01	\$ 0.03	\$ 0.33	\$ 0.26

Unvested share-based payment awards that contain non-forfeitable rights to dividends, whether paid or unpaid, are accounted for as participating securities. As such, unvested shares of restricted stock, unvested LTIP Units and unvested Performance Units are considered participating securities. Participating securities are included in the computation of basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and each participating security according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings. Participating securities are also included in the computation of diluted EPS using the more dilutive of the two-class method or treasury stock method for unvested shares of restricted stock and LTIP Units, and by determining if certain market conditions have been met at the reporting date for unvested Performance Units.

The effect of including unvested shares of restricted stock and unvested LTIP Units using the treasury stock method was excluded from our calculation of weighted average shares of common stock outstanding – diluted, as their inclusion would have been anti-dilutive.

Performance Units, which are subject to vesting based on the Company outperforming certain absolute and relative TSR levels over a three-year performance period, are included as contingently issuable shares in the calculation of diluted EPS when TSR has been achieved at or above the threshold levels specified in the award agreements, assuming the reporting period is the end of the performance period, and the effect is dilutive. As of September 30, 2017, for the performance awards granted in 2015, the Company's TSR performance relative to a designated peer group was above the 75th percentile, or the maximum level, and the Company's absolute TSR was above 75%, or the maximum level. As of September 30, 2017, for the performance

awards granted in 2016, the Company's TSR performance relative to a designated peer group was above the 75th percentile, or the maximum level, and the Company's absolute TSR was approximately 30%, which is between the threshold and target levels. The corresponding number of dilutive securities have been included in the computation of the weighted average diluted shares above, since they were more dilutive than using the two-class method of computing EPS.

We also consider the effect of other potentially dilutive securities, including OP Units, which may be redeemed for shares of our common stock under certain circumstances, and include them in our computation of diluted EPS when their inclusion is dilutive.

14. Subsequent Events

Acquisitions

On October 31, 2017, we acquired two single-tenant properties totaling 59,594 rentable square feet located at 13225 South Western Avenue and 15401 South Figueroa Street in Gardena, California for a contract price of \$6.7 million using available cash on hand.

Dispositions

On October 31, 2017, we completed the sale of our property located at 12345 First American Way in Poway, California. The property was sold to an unaffiliated third party for a contract price of \$7.6 million.

On November 2, 2017, we completed the sale of our property located at 9401 De Soto in Chatsworth, California. The property was sold to an unaffiliated third party for a contract price of \$23.0 million.

Dividends Declared

On October 30, 2017, our board of directors declared a quarterly cash dividend of \$0.145 per share of common stock and a quarterly cash distribution of \$0.145 per OP Unit, to be paid on January 15, 2018, to holders of record as of December 29, 2017. Also on October 30, 2017, our board of directors declared a quarterly cash dividend of \$0.36719 per share of our 5.875% Series A Cumulative Redeemable Preferred Stock, to be paid on December 29, 2017, to preferred stockholders of record as of December 15, 2017.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and the related notes thereto that appear in Part I, Item 1 “Financial Statements” of this Quarterly Report on Form 10-Q. The terms “Company,” “we,” “us,” and “our” refer to Rexford Industrial Realty, Inc. and its consolidated subsidiaries except where the context otherwise requires.

Forward-Looking Statements

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

- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with expectations;
- the timing of acquisitions and dispositions;
- potential natural disasters such as earthquakes, wildfires or floods;
- the consequence of any future security alerts and/or terrorist attacks;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust (“REIT”) tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance;
- our failure to complete acquisitions;
- our failure to successfully integrate acquired properties;
- our ability to qualify and maintain our qualification as a REIT;
- our ability to maintain our current investment grade rating by Fitch;
- litigation, including costs associated with prosecuting or defending pending or threatened claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should review carefully our financial statements and the notes thereto, as well as the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

Company Overview

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service 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 principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986 (the “Code”), as amended, and generally are not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

As of September 30, 2017, our consolidated portfolio consisted of 146 properties with approximately 18.0 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments and mortgage debt secured by industrial property in high-barrier Southern California infill markets. Our target markets provide us with opportunities to acquire both stabilized properties generating favorable cash flow, as well as properties where we can enhance returns through value-add renovations and redevelopment. Scarcity of available space and high barriers limiting new construction all contribute to create superior long-term supply/demand fundamentals within our target infill Southern California industrial property markets. With our vertically integrated platform and extensive value-add investment and management capabilities, we believe we are in a position to take advantage of the opportunities in our markets to achieve our objectives.

2017 Year to Date Highlights

Acquisitions

- During the first quarter of 2017, we acquired one property with 0.1 million rentable square feet, for a gross purchase price of \$17.1 million.
- During the second quarter of 2017, we acquired an industrial business park consisting of 16 buildings totaling approximately 1.1 million rentable square feet, for a gross purchase price of \$141.2 million. We also acquired four additional properties with a combined 0.5 million rentable square feet, for a total gross purchase price of \$83.0 million.
- During the third quarter of 2017, we acquired seven properties with a combined 1.8 million rentable square feet, for a total gross purchase price of \$293.2 million.

Repositioning

- During the second quarter of 2017, we completed the lease-up of two of our value-add repositioning properties located at 679-691 Anderson Street and 18118 Broadway Street.
- During the third quarter of 2017, we completed the repositioning and lease-up of our 108,500 square foot value-add repositioning property located at 3880 Valley Boulevard. We also pre-leased space totaling 20,198 square feet at 228th Street and 43,927 square feet at 3233 Mission Oaks Boulevard, with leases commencing in November 2017 and February 2018, respectively.
- Subsequent to September 30, 2017, we pre-leased our 207,953 square foot value-add repositioning property located at 12131 Western Avenue. The lease has an expected commencement date of December 31, 2017.

Dispositions

- During the first quarter of 2017, we sold one property with 0.1 million rentable square feet, for a gross sales price of \$6.9 million.
- During the second quarter of 2017, we sold two properties with a combined 0.5 million rentable square feet, for a total gross sales price of \$58.8 million. Net cash proceeds of \$39.7 million from one of the dispositions were used to partially fund the acquisition of the industrial business park noted above, as part of a 1031 Exchange transaction.

Financing

- In February 2017, we entered into an agreement for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility that will mature in February 2021, with two six-month extensions available, and a \$100 million unsecured term loan facility that will mature in February 2022. Borrowings under the \$350 million unsecured revolving credit facility bear interest at LIBOR plus an applicable margin that will range from 1.10% to 1.50% per annum depending on our leverage ratio, and the \$100 million unsecured term loan facility bears interest at LIBOR plus an applicable margin that will range from 1.20% to 1.70% per annum depending on our leverage ratio.
- In March 2017, we repaid the \$9.7 million outstanding balance on one of our secured mortgage loans in advance of the February 1, 2019 maturity date.
- In July 2017, we completed a private placement of \$125 million of 10-year senior notes at a fixed annual interest rate of 3.93% (the "\$125 Million Notes").

Equity

- During the first quarter of 2017, we sold 168,685 shares of common stock under our at-the-market equity offering program for gross proceeds of \$3.9 million, or approximately \$23.16 per share.
- During the second quarter of 2017, we sold 4,398,476 shares of common stock under our at-the-market equity offering program for gross proceeds of \$116.6 million, or approximately \$26.52 per share.
- During the third quarter of 2017, we sold 6,476,719 shares of common stock under our at-the-market equity offering program for gross proceeds of \$188.6 million, or approximately \$29.11 per share.

Factors That May Influence Future Results of Operations

Market Fundamentals

Our operating results depend upon the infill Southern California industrial real estate market.

The infill Southern California industrial real estate sector has continued to exhibit strong fundamentals. These high-barrier infill markets are characterized by a relative scarcity of available product, operating at above 98% occupancy, coupled with limited ability to introduce new supply due to high land and development costs and a dearth of developable land in markets experiencing a net reduction in supply as more industrial property is converted to non-industrial uses than can be delivered. Consequently, available industrial supply continues to decrease in many of our target infill submarkets, landlord concessions are reducing and construction deliveries are falling short of demand. Meanwhile, underlying tenant demand within our infill markets continues to demonstrate growth, illustrated or driven by strong re-leasing spreads, an expanding regional population, substantial growth in e-commerce transaction and delivery volumes, as well as further compression of delivery time-frames to consumers and to businesses, increasing the significance of last-mile facilities for timely fulfillment. Despite potential concerns related to global growth, possible changes to trade and tariff policies and the threat of rising interest rates, we continue to observe a number of positive trends within our target infill markets that we expect will continue through the end of 2017.

In Los Angeles County, market fundamentals continued to be strong during the third quarter of 2017, as asking lease rates increased quarter-over-quarter, despite a slight decline in occupancy quarter-over-quarter from recent historic highs. We expect that rents will continue the upward trend and increase through the end of 2017, as occupancy still remains at near capacity levels and new development remains limited by a lack of land availability and an increase in land and development costs.

In Orange County, market fundamentals remained favorable during the third quarter of 2017. Despite a slight decrease in lease rates quarter-over-quarter, demand remained steady, concessions decreased and lease rates increased year-over-year. Additionally, historically low vacancy remained steady year-over-year, despite a slight increase in vacancy quarter-over-quarter. We expect that strong tenant demand coupled with the continued low availability of industrial product in this region, primarily due to re-zoning of available land to residential or mixed-use, will cause leasing rates to grow through the end of 2017.

In San Diego, market fundamentals continued to be strong during the third quarter of 2017. Net absorption was strong, overall vacancy in the market decreased quarter-over-quarter and overall asking lease rates remained steady quarter-over-quarter after reaching a record high during the first quarter of 2017.

In Ventura County, occupancy remains at historically high levels as the vacancy rate was unchanged quarter-over-quarter and asking lease rates increased slightly quarter-over-quarter.

Lastly, in the Inland Empire, new industrial product continues to be absorbed well in the market. In the Inland Empire West, which contains the infill markets in which we operate, vacancy remains at historically low levels and asking lease rates increased quarter-over-quarter. We expect the outlook for the Inland Empire West to remain positive through the end of 2017. We generally do not focus on properties located within the Inland Empire East sub-market where the development and construction pipeline for new supply is substantial.

Acquisitions and Redevelopment of Properties

The Company's growth strategy comprises acquiring leased, stabilized properties as well as properties with value-add opportunities to improve functionality and to deploy our value-driven asset management programs in order to increase cash flow and value. A key component of our growth strategy is to acquire properties through off-market and lightly marketed transactions that are often operating at below-market occupancy or below-market rent at the time of acquisition or that have near-term lease roll-over or that provide opportunities to add-value through functional or physical repositioning and improvements. Through various redevelopment, repositioning, and professional leasing and marketing strategies, we seek to increase the properties' functionality and attractiveness to prospective tenants and, over time, to stabilize the properties at occupancy rates that meet or exceed market rates.

A repositioning can consist of a range of improvements to a property. This may include a complete structural renovation of a property whereby we convert large underutilized spaces into a series of smaller and more functional spaces, or it may include the creation of additional square footage, the modernization of the property site, the elimination of functional obsolescence, the addition or enhancement of loading areas and truck access, the enhancement of fire-life-safety systems or other accretive improvements. Because each repositioning effort is unique and determined based on the property, targeted tenants and overall trends in the general market and specific submarket, the timing and effect of the repositioning on our rental revenue and occupancy levels will vary, and, as a result, will affect the comparison of our results of operations from period to period with limited predictability.

As of September 30, 2017, eight of our properties were in various stages of redevelopment and repositioning or lease-up. The table below sets forth a summary of these eight properties, as well as one future repositioning project that we will begin

in the near term and three properties that were completed and fully leased through September 30, 2017. In addition to the properties in the table below, we also have a range of smaller spaces in value-add repositioning or renovation, which, due to their smaller size, are not presented below, however, in the aggregate, may be substantial.

Property (Submarket)	Market	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/Lease-up	Estimated Construction Period ⁽¹⁾		Total Property Leased % at 9/30/17
				Start	Completion	
Current Repositioning:						
14750 Nelson (San Gabriel Valley) ⁽²⁾	LA	147,360	147,360	3Q-2016	2Q-2018	—%
301-445 Figueroa Street (South Bay) ⁽³⁾	LA	133,625	77,975	4Q-2016	3Q-2018	42%
12131 Western Avenue (West OC)	OC	207,953	107,953	1Q-2017	4Q-2017	100% ⁽⁴⁾
28903 Avenue Paine (SF Valley) ⁽⁵⁾	LA	111,346	111,346	1Q-2017	4Q-2018	—%
228th Street (South Bay) ⁽⁶⁾	LA	88,971	23,453	1Q-2016	4Q-2017	96% ⁽⁶⁾
3233 Mission Oaks Blvd (Ventura):						
Unit 3233-H	VC	461,210	43,927	1Q-2017	4Q-2017	72% ⁽⁷⁾
Unit 3233	VC	461,210	111,419	2Q-2017	3Q-2018	72%
Total			623,433			
Lease-up Stage:						
1601 Alton Parkway (OC Airport)	OC	124,988	15,874	4Q-2014	4Q-2017	87%
9401 De Soto Avenue (SF Valley) ⁽⁸⁾	LA	150,831	150,831	2Q-2015	1Q-2016	—%
Total			166,705			
Future Repositioning:						
9615 Norwalk Boulevard (Mid-Counties) ⁽⁹⁾	LA	38,362	—	2Q-2018	2Q-2019	100%
Total Current Repositioning, Lease-up Stage and Future Repositioning			790,138			
Completed and Leased-up:						
679-691 S. Anderson Street (Central LA)	LA	47,490	—	N/A	N/A	100%
18118 S. Broadway Street (South Bay)	LA	78,183	—	N/A	N/A	100%
3880 Valley Boulevard (San Gabriel Valley)	LA	108,550	—	N/A	N/A	100%

- (1) The estimated construction period is subject to change as a result of a number of factors including but not limited to permit requirements, delays in construction, changes in scope, and other unforeseen circumstances.
- (2) The total property rentable square feet in the table above reflects the square footage of the existing building that was acquired. Upon completion of the project, the property will be approximately 200,000 square feet, which reflects an increase in square footage from the construction of two additional buildings on the excess land.
- (3) The property located at 301-445 Figueroa has 14 units, all of which will be repositioned in various phases. We expect that repositioning of the first seven units totaling 77,975 rentable square will be completed during 4Q-2017 and the remaining seven units totaling 55,650 rentable square feet will be completed between 4Q-2017 and 3Q-2018.
- (4) As of September 30, 2017, this property is 48.1% leased. The pro-forma leased percentage of 100% reflects the execution of a lease subsequent to September 30, 2017, for the entire property to a single tenant which has an expected commencement date of December 31, 2017.
- (5) The total property rentable square feet in the table above reflects the square footage of the building that was acquired. Upon completion of the project, the property will be approximately 224,000 square feet, which reflects an increase in square footage from the construction of one additional building on the excess land.

- (6) The property located at 228th Street includes eight buildings, of which three buildings aggregating 23,453 rentable square feet were under repositioning as of September 30, 2017. As of September 30, 2017, repositioning space aggregating 20,198 rentable square feet has been pre-leased to two tenants with a commencement date of November 1, 2017.
- (7) As of September 30, 2017, Unit H has been pre-leased to a tenant with a commencement date of February 1, 2018.
- (8) On November 2, 2017, we sold our property located at 9401 De Soto to an unaffiliated third party for a contract price of \$23.0 million.
- (9) 9615 Norwalk has 10.26 acres of partially paved storage yard/industrial land that is under a month-to-month lease as of September 30, 2017. We plan to construct a new building with approximately 200,000 rentable square feet after the lease is terminated.

Properties that are nonoperational as a result of repositioning or redevelopment activity may qualify for varying levels of interest, insurance and real estate tax capitalization during the development and construction period. An increase in our repositioning and development activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest, insurance and tax capitalization in future periods. We capitalized \$0.4 million and \$1.3 million of interest expense and \$0.3 million and \$0.9 million of insurance and real estate tax expense during the three and nine months ended September 30, 2017, respectively, related to our repositioning and redevelopment projects.

Rental Revenues

Our operating results depend primarily upon generating rental revenue from the properties in our consolidated portfolio. The amount of rental revenue generated by these properties is affected by our ability to maintain or increase occupancy levels and rental rates at our properties, which will depend upon our ability to lease vacant space and re-lease expiring space at favorable rates.

Occupancy Rates

As of September 30, 2017, our consolidated portfolio, inclusive of space in repositioning as described in the subsequent paragraph, was approximately 92.9% occupied, while our stabilized consolidated portfolio exclusive of such space was approximately 97.2% occupied. We believe the opportunity to increase occupancy at our properties will be an important driver of future revenue growth. An opportunity to drive this growth will derive from the lease-up of recently completed repositioning projects and the completion and lease-up of repositioning projects that are currently under construction and planned for near-term construction.

As summarized in the table under “*Acquisitions and Redevelopment of Properties*” above, as of September 30, 2017, eight of our properties with a combined 0.8 million vacant rentable square feet, were in various stages of redevelopment, repositioning or lease-up. Vacant repositioning space and lease-up space at these eight properties are concentrated in our Los Angeles, Orange County and Ventura markets, and represent 4.4% of our total consolidated portfolio square footage as of September 30, 2017. Including vacant repositioning space and lease-up space at these eight properties, our weighted average occupancy rate as of September 30, 2017, in Los Angeles, Orange County and Ventura was 92.9%, 91.1% and 85.1%, respectively. Excluding vacant repositioning space and lease-up space at these eight properties, our weighted average occupancy rate as of September 30, 2017, in these markets was 98.7%, 96.1% and 93.4%, respectively. We believe that a significant portion of our long-term future growth will come from the completion of these projects currently under repositioning as well as from the identification of new opportunities for redevelopment and repositioning, whether in our existing portfolio or through new investments, which may vary from period to period subject to market conditions.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases for the nine months ended September 30, 2017:

New Leases						
Quarter	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾	GAAP Leasing Spreads ⁽²⁾⁽⁴⁾	Cash Leasing Spreads ⁽³⁾⁽⁴⁾
Q1-2017	65	423,766	4.7	\$ 10.44	32.2%	20.4%
Q2-2017	52	310,950	4.0	\$ 9.94	31.3%	24.2%
Q3-2017	61	678,882	4.4	\$ 10.31	33.6%	21.4%
Total/Weighted Average	178	1,413,598	4.4	\$ 10.27	32.6%	21.7%

Renewals							Expiring Leases		
Quarter	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾	GAAP Leasing Spreads ⁽²⁾⁽⁵⁾	Cash Leasing Spreads ⁽³⁾⁽⁵⁾	Number of Leases	Rentable Square Feet ⁽⁶⁾	Retention % ⁽⁷⁾
Q1-2017	74	439,602	3.3	\$ 10.41	17.9%	9.6%	136	1,248,787	56.6%
Q2-2017	87	469,766	3.5	\$ 10.57	16.5%	5.9%	127	771,093	70.8%
Q3-2017	66	614,175	3.6	\$ 8.64	21.2%	13.4%	118	971,551	66.2%
Total/Weighted Average	227	1,523,543	3.5	\$ 9.75	18.6%	9.6%	381	2,991,431	63.9%

(1) Effective rent per square foot is the average base rent calculated in accordance with GAAP, over the term of the lease, expressed in dollars per square foot per year. Includes all new and renewal leases that were executed during the quarter.

(2) Calculated as the change between GAAP rents for new or renewal leases and the expiring GAAP rents on the expiring leases for the same space.

(3) Calculated as the change between starting cash rents for new or renewal leases and the expiring cash rents on the expiring leases for the same space.

(4) The GAAP and cash re-leasing spreads for new leases executed during the nine months ended September 30, 2017, exclude 53 leases aggregating 527,236 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space that has never been occupied under our ownership, (ii) recently repositioned/redeveloped space, (iii) space that has been vacant for over one year, (iv) space with different lease structures (for example, a change from a gross lease to a modified gross lease or an increase or decrease in the leased square footage) or (v) space with lease terms shorter than six months.

(5) The GAAP and cash re-leasing rent spreads for renewal leases executed during the nine months ended September 30, 2017, exclude four leases aggregating 38,474 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space with different lease structures or (ii) space with lease terms shorter than six months.

(6) Includes five leases totaling 471,484 rentable square feet that expired during the nine months ended September 30, 2017, for which the space was placed into repositioning after each tenant vacated.

(7) Retention is calculated as renewal lease square footage plus relocation/expansion square footage, divided by the square footage of leases expiring during the period. Retention excludes leases associated with space that is placed into repositioning after the tenant vacates.

Our leasing activity is impacted both by our redevelopment and repositioning efforts, as well as by market conditions. While we reposition a property, its space may become unavailable for leasing until completion of our repositioning efforts. During the nine months ended September 30, 2017, we completed the repositioning and lease-up of three of our value-add repositioning properties located at 679-691 Anderson Street, 18118 Broadway Street, and 3880 Valley Boulevard and pre-leased space totaling 20,198 square feet at 228th Street and 43,927 square feet at 3233 Mission Oaks Boulevard. Additionally,

during October 2017 we pre-leased our 207,953 square foot value-add repositioning property located at 12131 Western Avenue. As of the date of this filing, we have four repositioning projects not leased with estimated construction completion periods ranging from the second quarter of 2018 to the fourth quarter of 2018 and one property in the lease-up stage. We expect these properties to have positive impacts on our leasing activity and revenue generation as we complete our value-add repositioning plan and place these properties in service. As of September 30, 2017, our property located at 9401 De Soto was classified as a lease-up property, and on November 2, 2017, we sold this property to an unaffiliated third party for a contract price of \$23.0 million.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases is affected by economic and competitive conditions in our markets and by the relative desirability of our individual properties, which may impact our results of operations. The following table sets forth a summary schedule of lease expirations for leases in place as of September 30, 2017, for each of the ten full and partial calendar years beginning with 2017 and thereafter, plus space that is available and under current repositioning.

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet ⁽¹⁾	Percentage of Total Owned Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Available	—	504,853	2.8%	\$ —	—%	\$ —
Current Repositioning ⁽⁵⁾	—	559,308	3.1%	\$ —	—%	\$ —
MTM Tenants ⁽⁶⁾	100	223,304	1.3%	\$ 2,225	1.5%	\$ 9.96
Remainder of 2017	99	780,868	4.3%	\$ 7,713	5.2%	\$ 9.88
2018	352	2,519,326	14.0%	\$ 22,522	15.2%	\$ 8.94
2019	301	2,565,082	14.2%	\$ 23,170	15.6%	\$ 9.03
2020	252	3,471,261	19.2%	\$ 28,599	19.2%	\$ 8.24
2021	123	3,233,164	17.9%	\$ 26,758	18.0%	\$ 8.28
2022	85	1,626,380	9.0%	\$ 13,286	8.9%	\$ 8.17
2023	20	595,581	3.3%	\$ 6,159	4.1%	\$ 10.34
2024	13	731,124	4.1%	\$ 6,892	4.6%	\$ 9.43
2025	4	148,215	0.8%	\$ 1,712	1.2%	\$ 11.55
2026	6	273,904	1.5%	\$ 3,150	2.1%	\$ 11.50
Thereafter	11	812,242	4.5%	\$ 6,481	4.4%	\$ 7.98
Total Consolidated Portfolio	1,366	18,044,612	100.0%	\$ 148,667	100.0%	\$ 8.76

(1) Represents the contracted square footage upon expiration.

(2) Calculated as monthly contracted base rent (in thousands) per the terms of such lease, as of September 30, 2017, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.

(3) Calculated as annualized base rent set forth in this table divided by annualized base rent for the total portfolio as of September 30, 2017.

(4) Calculated as annualized base rent for such leases divided by the leased square feet for such leases as of September 30, 2017.

(5) Represents space at six of our properties that were classified as current repositioning as of September 30, 2017. Refer to the table under “Acquisitions and Redevelopment of Properties” for a summary of these properties. Excludes completed repositioning properties, properties in lease-up and pre-leased space at current repositioning properties.

(6) Represents tenants under month-to-month (“MTM”) leases or having holdover tenancy. Includes 61 MTM leases aggregating 63,790 rentable square feet at our property located at 14723-14825 Oxnard Street, where due to number and the small size of spaces, we typically only enter into MTM leases.

As of September 30, 2017, in addition to 0.5 million rentable square feet of currently available space in our portfolio and 0.6 million rentable square feet of vacant space under current repositioning, leases representing 4.3% and 14.0% of the aggregate rentable square footage of our portfolio are scheduled to expire during the remainder of 2017 and 2018, respectively. During the nine months ended September 30, 2017, we renewed 227 leases for 1,523,543 rentable square feet, resulting in a 63.9% retention rate. Our retention rate during the period was impacted by our strategy to roll certain tenants at below-market rents and to replace them with higher quality tenants paying higher rents. During the nine months ended September 30, 2017,

new and renewal leases had a weighted average term of 4.4 and 3.5 years, respectively, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the remainder of 2017 and 2018 represent approximately 5.2% and 15.2% respectively, of the total annualized base rent for our portfolio as of September 30, 2017. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire during the remainder of 2017 and 2018 are currently below current market asking rents, although individual units or properties within any particular submarket may currently be leased either above, below, or at the current market asking rates within that submarket. As described in the above Market Fundamentals section, we expect market dynamics to remain strong into the foreseeable future and these positive trends provide a favorable environment for additional increases in lease renewal rates. Accordingly, we expect the remainder of 2017 will show positive renewal rates and leasing spreads. We also expect that 2018 lease expirations will show positive growth upon renewal; however, it is difficult to predict market conditions that far into the future.

Property Expenses

Our property expenses generally consist of utilities, real estate taxes, insurance, site repair and maintenance costs, and the allocation of overhead costs. For the majority of our properties, our property expenses are recovered, in part, by either the triple net provisions or modified gross expense reimbursements in tenant leases. The majority of our leases also comprise contractual three percent annual rental rate increases meant, in part, to help mitigate potential increases in property expenses over time. However, the terms of our leases vary, and, in some instances, we may absorb property expenses. Our overall financial results will be impacted by the extent to which we are able to pass-through property expenses to our tenants.

Taxable REIT Subsidiary

As of September 30, 2017, our Operating Partnership indirectly and wholly owns Rexford Industrial Realty and Management, Inc., which we refer to as the services company. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or health care facility or provide rights to any brand name under which any lodging facility or health care facility is operated. We may form additional taxable REIT subsidiaries in the future, and our Operating Partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries. Our taxable REIT subsidiary is a C-corporation subject to federal and state income tax, however it has a cumulative unrecognized net operation loss carryforward and therefore there is no income tax provision for the nine months ended September 30, 2017 and 2016.

Critical Accounting Policies

In our 2016 Annual Report on Form 10-K, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements. We have not made any material changes to our critical accounting policies during the period covered by this report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting periods. Actual amounts may differ from these estimates and assumptions. Management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions that it believes are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may affect the comparability of our results of operations and financial condition to those of other companies. See Note 2 to our consolidated financial statements for a discussion of our accounting policies.

Results of Operations

Our consolidated results of operations are often not comparable from period to period due to the effect of property acquisitions and dispositions completed during the comparative reporting periods. Our "Total Portfolio" represents all of the

properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions and dispositions and to highlight the operating results of our on-going business, we have separately presented the results of our “Same Properties Portfolio.”

For the three and nine months ended September 30, 2017 and 2016, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2016, and still owned by us as of September 30, 2017, which consisted of 114 properties aggregating approximately 11.2 million rentable square feet. Results for our Same Properties Portfolio exclude the joint venture property disposed of during 2016, any properties that were acquired or sold during the period from January 1, 2016, through September 30, 2017, interest income from our note receivable, interest expense and corporate general and administrative expenses. In addition to the properties included in our Same Properties Portfolio, our Total Portfolio includes the 33 properties aggregating approximately 7.0 million rentable square feet that were purchased between January 1, 2016, and September 30, 2017, and the eight properties aggregating approximately 0.9 million rentable square feet that were sold between January 1, 2016, and September 30, 2017.

As of September 30, 2017 and 2016, our Same Properties Portfolio occupancy was approximately 95.2% and 93.0%, respectively. For the three months ended September 30, 2017 and 2016, our Same Properties Portfolio weighted average occupancy was approximately 94.4% and 92.2%, respectively. Comparatively, our Same Properties Portfolio weighted average occupancy was approximately 94.2% and 91.8% for the nine months ended September 30, 2017 and 2016, respectively.

Comparison of the Three Months Ended September 30, 2017 to the Three Months Ended September 30, 2016

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the three months ended September 30, 2017 and 2016 (dollars in thousands):

	Same Properties Portfolio				Total Portfolio			
	Three Months Ended September 30,		Increase/(Decrease)	%	Three Months Ended September 30,		Increase/(Decrease)	%
	2017	2016			2017	2016		
RENTAL REVENUES								
Rental income	\$ 25,155	\$ 23,359	\$ 1,796	7.7 %	\$ 36,748	\$ 28,285	\$ 8,463	29.9 %
Tenant reimbursements	3,834	3,508	326	9.3 %	6,279	4,467	1,812	40.6 %
Other income	134	171	(37)	(21.6)%	203	192	11	5.7 %
TOTAL RENTAL REVENUES	29,123	27,038	2,085	7.7 %	43,230	32,944	10,286	31.2 %
Management, leasing and development services	—	—	—	— %	109	131	(22)	(16.8)%
Interest income	—	—	—	— %	—	228	(228)	(100.0)%
TOTAL REVENUES	29,123	27,038	2,085	7.7 %	43,339	33,303	10,036	30.1 %
EXPENSES								
Property expenses	7,655	7,493	162	2.2 %	11,229	8,978	2,251	25.1 %
General and administrative	—	—	—	— %	5,843	5,067	776	15.3 %
Depreciation and amortization	9,761	10,150	(389)	(3.8)%	17,971	13,341	4,630	34.7 %
TOTAL OPERATING EXPENSES	17,416	17,643	(227)	(1.3)%	35,043	27,386	7,657	28.0 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	16	380	(364)	(95.8)%
Interest expense	—	—	—	— %	6,271	3,804	2,467	64.9 %
TOTAL OTHER EXPENSES	—	—	—	— %	6,287	4,184	2,103	50.3 %
TOTAL EXPENSES	17,416	17,643	(227)	(1.3)%	41,330	31,570	9,760	30.9 %
Equity in income from unconsolidated real estate entities	—	—	—	— %	—	1,328	(1,328)	— %
NET INCOME	\$ 11,707	\$ 9,395	\$ 2,312		\$ 2,009	\$ 3,061	\$ (1,052)	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental income increased by \$1.8 million, or 7.7%, and \$8.5 million, or 29.9%, respectively, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016. The increase in our Same Properties Portfolio rental income is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at eight of our properties subsequent to July 1, 2016, as well as the increase in average rental rates on new and renewal leases. Our Total Portfolio rental income was also positively impacted by the incremental revenues from the 33 properties we acquired between January 1, 2016, and September 30, 2017.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased by \$0.3 million, or 9.3%, and \$1.8 million, or 40.6%, respectively, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to an increase in recoverable operating expenses for comparable periods, timing differences in completing prior year recoverable expense reconciliations, and an increase in the weighted average occupancy for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at eight of our properties subsequent to July 1, 2016. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 33 properties we acquired between January 1, 2016 and September 30, 2017.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased by \$37 thousand, or 21.6%, and increased \$11 thousand, or 5.7%, respectively, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to changes in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by \$22 thousand, or 16.8%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to a decrease in fees and commissions earned from managing properties not owned by us (see Note 9 to the consolidated financial statements for additional details).

Interest Income

Interest income for the three months ended September 30, 2016, relates to a \$6.0 million mortgage loan that we made on July 1, 2016, which was subsequently repaid on June 23, 2017. The loan was secured by an industrial property located in Rancho Cucamonga, California and bore interest at 10.0% per annum. See Note 2 in the consolidated financial statements for additional details.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by \$0.2 million, or 2.2%, and \$2.3 million, or 25.1%, respectively, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016. The increase in our Same Properties Portfolio property expenses is primarily due to an increase in insurance expense due to a new earthquake policy we obtained in 2017, a decrease in capitalized real estate tax expense due to the completion of construction on repositioning properties, partially offset by a decrease in repairs and maintenance expense and non-recoverable utilities expense. Our Total Portfolio property expenses was also impacted by incremental expenses from the 33 properties we acquired between January 1, 2016, and September 30, 2017.

General and Administrative

Our Total Portfolio general and administrative expenses increased \$0.8 million, or 15.3%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to (i) a \$0.3 million increase in non-cash equity compensation expense primarily related to equity grants made in December 2016, (ii) a \$0.3 million increase in bonus expense due to Company performance and (iii) a \$0.1 million increase in other various corporate expenses, partially offset by a \$0.2 million decrease in non-employee director compensation expense.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$0.4 million, or 3.8%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to acquisition-related tenant improvements and in-place lease intangibles becoming fully depreciated at certain of our properties subsequent to July 1, 2016, partially offset by an increase in depreciation expense related to capital improvements placed into service subsequent to July 1, 2016. Our Total Portfolio depreciation and amortization expense increased \$4.6 million, or 34.7%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to the incremental expense from the 33 properties we acquired between January 1, 2016, and September 30, 2017, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$0.4 million, or 95.8%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, due to the adoption of ASU 2017-01, *Business Combinations - Clarifying the Definition of a Business* (“ASU 2017-01”), effective January 1, 2017. See Note 2 in the consolidated financial statements for additional details. Under ASU 2017-01, the seven properties that we acquired during the three months ended September 30, 2017, were accounted for as asset acquisitions, and the related acquisition costs were capitalized as part of the purchase price of the acquisition on a relative fair value basis. In comparison, two of the three properties that we acquired during the three months ended September 30, 2016, were accounted for as business combinations, and the related acquisition costs were expensed as incurred.

Interest Expense

Our Total Portfolio interest expense increased by \$2.5 million, or 64.9%, during the three months ended September 30, 2017, compared to the three months ended September 30, 2016, primarily due to the increase in our average outstanding debt balance as well as an increase in the average LIBOR rate for comparable periods. The increase in our average outstanding debt balance was primarily due to an increase in borrowings on our unsecured revolving credit facility as well as the issuance of the \$125 Million Notes in July 2017. The increase was partially offset by a decrease in interest from the 1065 Walnut Street mortgage loan, which we prepaid in advance of maturity on March 20, 2017.

Equity in Income from Unconsolidated Real Estate Entities

On July 6, 2016, we acquired the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from our joint venture (the “JV”). Prior to the acquisition, our ownership interest in the property was 15.0%. Equity in income from unconsolidated real estate entities includes our 15.0% equity interest in the operating results of the JV property prior to July 6, 2016, depreciation of basis adjustments related to the JV property and distributions received from the JV in connection with the sale of the property that exceeded the carrying value of our investment in the JV (the “excess distributions”). Our Total Portfolio equity in income from unconsolidated real estate entities of \$1.3 million for the three months ended September 30, 2016, primarily consists of the excess distributions totaling \$1.9 million that we received from the JV, partially offset by the write-off of the \$0.6 million unamortized basis adjustment related to the JV property.

Comparison of the Nine Months Ended September 30, 2017 to the Nine Months Ended September 30, 2016

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the nine months ended September 30, 2017 and 2016 (dollars in thousands):

	Same Properties Portfolio				Total Portfolio			
	Nine Months Ended September 30,		Increase/(Decrease)	%	Nine Months Ended September 30,		Increase/(Decrease)	%
	2017	2016			2017	2016		
RENTAL REVENUES								
Rental income	\$ 73,682	\$ 68,541	\$ 5,141	7.5 %	\$ 97,494	\$ 77,903	\$ 19,591	25.1 %
Tenant reimbursements	11,536	10,394	1,142	11.0 %	16,606	12,144	4,462	36.7 %
Other income	436	592	(156)	(26.4)%	550	764	(214)	(28.0)%
TOTAL RENTAL REVENUES	85,654	79,527	6,127	7.7 %	114,650	90,811	23,839	26.3 %
Management, leasing and development services	—	—	—	— %	380	376	4	1.1 %
Interest income	—	—	—	— %	445	228	217	95.2 %
TOTAL REVENUES	85,654	79,527	6,127	7.7 %	115,475	91,415	24,060	26.3 %
EXPENSES								
Property expenses	22,791	21,449	1,342	6.3 %	29,987	24,480	5,507	22.5 %
General and administrative	—	—	—	— %	16,052	13,190	2,862	21.7 %
Depreciation and amortization	29,704	31,387	(1,683)	(5.4)%	46,085	37,165	8,920	24.0 %
TOTAL OPERATING EXPENSES	52,495	52,836	(341)	(0.6)%	92,124	74,835	17,289	23.1 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	421	1,490	(1,069)	(71.7)%
Interest expense	—	—	—	— %	14,571	10,774	3,797	35.2 %
TOTAL OTHER EXPENSES	—	—	—	— %	14,992	12,264	2,728	22.2 %
TOTAL EXPENSES	52,495	52,836	(341)	(0.6)%	107,116	87,099	20,017	23.0 %
Equity in income from unconsolidated real estate entities	—	—	—		11	1,451	(1,440)	
Loss on extinguishment of debt	—	—	—		(22)	—	(22)	
Gain on sale of real estate	—	—	—		19,237	11,563	7,674	
NET INCOME	\$ 33,159	\$ 26,691	\$ 6,468		\$ 27,585	\$ 17,330	\$ 10,255	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental income increased \$5.1 million, or 7.5%, and \$19.6 million, or 25.1%, respectively, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The increase in our Same Properties Portfolio is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods which was driven by the completion of repositioning work and subsequent lease-up of space at eight of our properties subsequent to January 1, 2016, as well as the increase in average rental rates on new and renewal leases. Our Total Portfolio rental income was also positively impacted by the incremental revenues from the 33 properties we acquired between January 1, 2016 and September 30, 2017.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased \$1.1 million, or 11.0%, and \$4.5 million, or 36.7%, respectively, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The increase in our Same Properties Portfolio tenant reimbursements revenue is primarily due to an increase in recoverable operating expenses for comparable periods, an increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at eight of our properties subsequent to January 1, 2016, as well as higher reimbursements resulting from the completion of prior year recoverable expense reconciliations for comparable periods. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 33 properties we acquired between January 1, 2016 and September 30, 2017.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased \$0.2 million, or 26.4%, and \$0.2 million, or 28.0%, respectively, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The decrease in our Same Properties Portfolio other income is primarily due to a decrease in late fee income. The decrease in Total Portfolio other income is primarily due to the decrease in filming income at one of our disposition properties and a decrease in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue increased by \$4 thousand, or 1.1%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, primarily due to an increase in fees and commissions earned from managing properties not owned by us, partially offset by a decrease in management fees from the JV as a result of the sale of the final joint venture property in July 2016.

Interest Income

Interest income relates to the \$6.0 million mortgage loan that we made on July 1, 2016, which was subsequently repaid on June 23, 2017. The loan was secured by an industrial property located in Rancho Cucamonga, California and bore interest at 10.0% per annum. Our Total Portfolio interest income increased by \$0.2 million, or 95.2%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, due to the number of months the mortgage loan was outstanding for comparable periods.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by \$1.3 million, or 6.3%, and \$5.5 million, or 22.5%, respectively, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The increase in our Same Properties Portfolio property expenses is primarily due to an increase in overhead costs, the receipt of non-comparable insurance reimbursements during the nine months ended September 30, 2016, an increase in repairs and maintenance expense, a decrease in capitalized real estate tax expense due to the completion of construction on repositioning properties and an increase in insurance expense due to a new earthquake policy we obtained in 2017, partially offset by a decrease in third-party management fee expense. Our Total Portfolio property expenses were also impacted by the incremental expenses from the 33 properties we acquired between January 1, 2016, and September 30, 2017.

General and Administrative

Our Total Portfolio general and administrative expenses increased \$2.9 million, or 21.7%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The increase is primarily due to the following: (i) a \$1.2 million increase in non-cash equity compensation expense primarily due to equity grants made in December 2016, (ii) a non-comparable \$0.6 million insurance reimbursement of legal fees related to prior litigation received during the nine months ended September 30, 2016, (iii) a \$0.6 million increase in bonus expense, (iv) a \$0.6 million increase in payroll and employment related costs and (v) a \$0.3 million increase in other various expenses. These increases were partially offset by a \$0.2 million decrease in non-employee director compensation expense and a \$0.1 million decrease in professional services and consulting fees.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased \$1.7 million, or 5.4%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, primarily due to acquisition-related tenant improvements and in-place lease intangibles becoming fully depreciated at certain of our properties subsequent to January 1, 2016, partially offset by an increase in depreciation expense related to capital improvements placed into service subsequent to January 1, 2016. Our Total Portfolio depreciation and amortization expense increased \$8.9 million, or 24.0%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, primarily due to incremental expense from the 33 properties we acquired between January 1, 2016, and September 30, 2017, and an increase in depreciation expense related to capital improvements, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$1.1 million, or 71.7%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, primarily due to the adoption of ASU 2017-01, effective January 1, 2017. Under ASU 2017-01, the 13 properties that we acquired during the nine months ended September 30, 2017, were accounted for as asset acquisitions, and the related acquisition costs were capitalized as part of the purchase price of the acquisition on a relative fair value basis. In comparison, 15 of the 16 properties that we acquired during the nine months ended September 30, 2016, were accounted for as business combinations, and the related acquisition costs were expensed as incurred. The decrease in acquisition expenses due to the adoption of ASU 2017-01, was partially offset by an increase resulting from the write-off of previously incurred transaction costs related to the termination of a ground lease in March 2017 (see Note 10 in the consolidated financial statements for additional details).

Interest Expense

Our Total Portfolio interest expense increased by \$3.8 million, or 35.2%, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. This was primarily due to the increase in our average outstanding debt balance as well as an increase in the average LIBOR rate for comparable periods. The increase in our average outstanding debt balance was primarily due to an increase in borrowings on our unsecured revolving credit facility, the issuance of the \$125 Million Notes in July 2017 and the \$125 million and \$100 million term loan facility borrowings we made in January 2016 and April 2016, respectively. The increase was partially offset by a decrease in interest expense from the 1065 Walnut Street mortgage loan, which we prepaid in advance of maturity on March 20, 2017.

Equity in Income from Unconsolidated Real Estate Entities

Our Total Portfolio equity in income from unconsolidated real estate entities decreased by \$1.4 million, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, due to the acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from the JV on July 6, 2016.

Loss on Extinguishment of Debt

On March 20, 2017, we repaid the mortgage loan secured by the property located at 1065 E. Walnut Avenue in advance of the maturity date of February 1, 2019. The loss on extinguishment of debt of \$22 thousand for the nine months ended September 30, 2017, represents \$0.2 million of prepayment penalties, partially offset by the \$0.2 million write-off of the unamortized loan premium.

Gains on Sale of Real Estate

During the nine months ended September 30, 2017, we recognized gains on sale of real estate of \$19.2 million from the disposition of our properties located at 9375 Archibald Avenue, 2535 Midway Drive and 2811 Harbor Boulevard. During the nine months ended September 30, 2016, we recognized gains on sale of real estate of \$11.6 million from the disposition of our properties located at 6010 North Paramount Boulevard, 1840 Dana Street and 12910 East Mulberry Drive.

Non-GAAP Supplemental Measure: Funds From Operations

We calculate funds from operations (“FFO”) attributable to common stockholder in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated joint ventures.

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

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

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to FFO (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 2,009	\$ 3,061	\$ 27,585	\$ 17,330
Add:				
Depreciation and amortization	17,971	13,341	46,085	37,165
Depreciation and amortization from unconsolidated joint ventures ⁽¹⁾	—	—	—	10
Deduct:				
Gains on sale of real estate	—	—	19,237	11,563
Gain on acquisition of unconsolidated joint venture property	—	1,332	11	1,332
Funds From Operations (FFO)	\$ 19,980	\$ 15,070	\$ 54,422	\$ 41,610
Less: preferred stock dividends	(1,322)	(661)	(3,966)	(661)
Less: FFO attributable to noncontrolling interest ⁽²⁾	(491)	(424)	(1,408)	(1,294)
Less: FFO attributable to participating securities ⁽³⁾	(133)	(111)	(408)	(349)
FFO attributable to common stockholders	\$ 18,034	\$ 13,874	\$ 48,640	\$ 39,306

- (1) Amount represents our 15% ownership interest in the JV that owned the property located at 3233 Mission Oaks Boulevard for all periods, prior to our acquiring the remaining 85% ownership interest on July 6, 2016.
- (2) Noncontrolling interests represent holders of outstanding common units of the Company's operating partnership that are owned by unit holders other than the Company.
- (3) Participating securities include unvested shares of restricted stock, unvested LTIP units and unvested performance units.

Non-GAAP Supplemental Measure: NOI and Cash NOI

Net operating income (“NOI”) is a non-GAAP measure which includes the revenue and expense directly attributable to our real estate properties. NOI is calculated as total revenue from real estate operations including i) rental income ii) tenant reimbursements, and iii) other income less property expenses (before interest expense, depreciation and amortization). We use NOI as a supplemental performance measure because, in excluding real estate depreciation and amortization expense, general and administrative expenses, interest expense, gains (or losses) on sale of real estate and other non-operating items, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that NOI will be useful to investors as a basis to compare our operating performance with that of other REITs. However, because NOI excludes depreciation and amortization expense and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties (all of which have real economic effect and could materially impact our results from operations), the utility of NOI as a measure of our performance is limited. Other equity REITs may not calculate NOI in a similar manner and, accordingly, our NOI may not be comparable to such other REITs’ NOI. Accordingly, NOI should be considered only as a supplement to net income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. NOI should not be used as a substitute for cash flow from operating activities in accordance with GAAP.

NOI on a cash-basis (“Cash NOI”) is a non-GAAP measure, which we calculate by adding or subtracting from NOI i) fair value lease revenue and ii) straight-line rental revenue adjustments. We use Cash NOI, together with NOI, as a supplemental performance measure. Cash NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. Cash NOI should not be used as a substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth the revenue and expense items comprising NOI and the adjustments to calculate Cash NOI (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Rental income	\$ 36,748	\$ 28,285	\$ 97,494	\$ 77,903
Tenant reimbursements	6,279	4,467	16,606	12,144
Other income	203	192	550	764
Total operating revenues	43,230	32,944	114,650	90,811
Property expenses	11,229	8,978	29,987	24,480
Net Operating Income	\$ 32,001	\$ 23,966	\$ 84,663	\$ 66,331
Amortization of (below) above market lease intangibles, net	(885)	(39)	(1,203)	17
Straight line rental revenue adjustment	(1,307)	(1,395)	(3,259)	(3,412)
Cash Net Operating Income	\$ 29,809	\$ 22,532	\$ 80,201	\$ 62,936

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NOI and Cash NOI (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 2,009	\$ 3,061	\$ 27,585	\$ 17,330
Add:				
General and administrative	5,843	5,067	16,052	13,190
Depreciation and amortization	17,971	13,341	46,085	37,165
Acquisition expenses	16	380	421	1,490
Interest expense	6,271	3,804	14,571	10,774
Loss on extinguishment of debt	—	—	22	—
Deduct:				
Management, leasing and development services	109	131	380	376
Interest income	—	228	445	228
Equity in income from unconsolidated real estate entities	—	1,328	11	1,451
Gains on sale of real estate	—	—	19,237	11,563
Net Operating Income	\$ 32,001	\$ 23,966	\$ 84,663	\$ 66,331
Amortization of (below) above market lease intangibles, net	(885)	(39)	(1,203)	17
Straight line rental revenue adjustment	(1,307)	(1,395)	(3,259)	(3,412)
Cash Net Operating Income	\$ 29,809	\$ 22,532	\$ 80,201	\$ 62,936

Non-GAAP Supplemental Measure: EBITDA

We believe that earnings before interest expense, income taxes, depreciation and amortization (“EBITDA”) is helpful to investors as a supplemental measure of our operating performance as a real estate company because it is a direct measure of the actual operating results of our industrial properties. We also use this measure in ratios to compare our performance to that of our industry peers. However, our industry peers may not calculate EBITDA in the same manner as we do and, accordingly, our EBITDA may not be comparable to our peers’ EBITDA. Accordingly, EBITDA should be considered only as a supplement to net income (loss) as a measure of our performance.

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to EBITDA (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 2,009	\$ 3,061	\$ 27,585	\$ 17,330
Interest expense	6,271	3,804	14,571	10,774
Depreciation and amortization	17,971	13,341	46,085	37,165
Proportionate share of real estate related depreciation and amortization from unconsolidated joint venture	—	—	—	10
EBITDA	\$ 26,251	\$ 20,206	\$ 88,241	\$ 65,279

Liquidity and Capital Resources

Overview

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses, interest expense, general and administrative expenses, capital expenditures, tenant improvements and leasing commissions, and distributions to our common and preferred stockholders and holders of common units of partnership interests in our Operating Partnership (“OP Units”). We expect to meet our short-term liquidity requirements through available cash on hand, cash flow from operations, by drawing on our unsecured revolving credit facility and by issuing shares of common stock pursuant to our at-the-market equity offering program described below.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through net cash flow from operations, proceeds from long-term secured and unsecured financings, borrowings available under our unsecured revolving credit facility, the issuance of equity securities, including preferred stock, and proceeds from selective real estate dispositions as we identify capital recycling opportunities.

As of September 30, 2017, our cash and cash equivalents were \$12.9 million and we had \$50.0 million outstanding under our unsecured revolving credit facility, leaving \$300.0 million available for future borrowings.

Sources of Liquidity

Cash Flow from Operations

Cash flow from operations is one of our key sources of liquidity and is primarily dependent upon: (i) the occupancy levels and lease rates at our properties, (ii) our ability to collect rent, (iii) the level of operating costs we incur and (iv) our ability to pass through operating expenses to our tenants. We are subject to a number of risks related to general economic and other unpredictable conditions, which have the potential to affect our overall performance and resulting cash flows from operations. However, based on our current portfolio mix and business strategy, we anticipate that we will be able to generate positive cash flows from operations.

ATM Program

On September 21, 2017, we established a new at-the-market equity offering program (the “\$300 Million ATM Program”) pursuant to which we may sell from time to time up to an aggregate of \$300.0 million of our common stock through sales agents. The \$300 Million ATM Program replaces our previous \$150.0 million at-the-market equity offering program, which was established on June 12, 2017 (the “\$150 Million ATM Program”). As of September 30, 2017, all \$150.0 million of shares of our common stock under the \$150 Million Program have been sold. In addition, we previously had a \$125.0 million at-the-market program that was established on April 17, 2015, of which all \$125.0 million of shares of our common stock have been sold as of September 30, 2017.

During the nine months ended September 30, 2017, we sold 11,043,880 shares of our common stock under our various at-the-market equity offering programs, at a weighted average price of \$27.99 per share, for gross proceeds of \$309.1 million, and net proceeds of \$304.5 million, after deducting the sales agents’ fee. As of September 30, 2017, we had the capacity to issue up to an additional \$256.6 million of common stock under the \$300 Million ATM Program.

Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock and capital needs. We intend to use the net proceeds from the offering of shares under the \$300 Million ATM Program, if any, to fund potential acquisition opportunities, repay amounts outstanding from time to time under our unsecured revolving credit facility or other debt financing obligations, to fund our development or redevelopment activities and/or for general corporate purposes.

Equity Offerings

We evaluate the capital markets on an ongoing basis for opportunities to raise capital, and as circumstances warrant, we may issue additional securities, from time to time, to fund acquisitions, for the repayment of long-term debt upon maturity and for other general corporate purposes. Any future issuance, however, is dependent upon market conditions, available pricing and capital needs and there can be no assurance that we will be able to complete any such offerings of securities.

Capital Recycling

We continuously evaluate opportunities for the potential disposition of properties in our portfolio when we believe such disposition is appropriate in view of our business objectives. In evaluating these opportunities, we consider a variety of criteria including, but not limited to, local market conditions and lease rates, asset type and location, as well as potential uses of proceeds and tax considerations. Tax considerations include entering into tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"), when possible, to defer some or all of the taxable gains, if any, on dispositions.

During the nine months ended September 30, 2017, we completed the sale of three of our properties located at 9375 Archibald Avenue, 2535 Midway Drive and 2811 Harbor Boulevard for an aggregate gross sales price of \$65.6 million and net cash proceeds of \$64.4 million. Total net cash proceeds of \$46.3 million from two of the dispositions were used to partially fund the acquisition of two properties as part of two 1031 Exchange transactions.

On October 31, 2017, we completed the sale of our property located at 12345 First American Way for a gross sales price of \$7.6 million and net cash proceeds of \$7.3 million. On November 2, 2017, we completed the sale of our property located at 9401 De Soto for a gross sales price of \$23.0 million and net cash proceeds of \$22.0 million. We intend to use the cash proceeds from these two dispositions to partially fund a property we are currently under contract to purchase as part of a 1031 Exchange transaction.

We anticipate continuing to selectively and opportunistically dispose of properties, however, the timing of any potential future dispositions will depend on market conditions and our capital needs. Our ability to dispose of selective properties on advantageous terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable.

Amended Credit Agreement

On February 14, 2017, we amended our \$300 million unsecured credit facility by entering into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a \$450.0 million senior unsecured credit facility, comprised of a \$350.0 million unsecured revolving credit facility (the "Amended Revolver") and a \$100.0 million unsecured term loan facility (the "Amended \$100 Million Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available for a maximum maturity date of February 14, 2022, subject to certain conditions and the payment of an additional fee. The Amended \$100 Million Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended \$100 Million Term Loan, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement, is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.10% to 1.50% for LIBOR-based loans and 0.10% to 0.50% for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended \$100 Million Term Loan range in amount from 1.20% to 1.70% for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.825% to 1.550% for LIBOR-based loans and 0.00% to 0.55% for Base Rate-based loans, depending on such rating, and the margins for the Amended \$100 Million Term Loan will range in amount from 0.90% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for Base Rate-based loans, depending on such ratings.

In addition to the interest payable on amounts outstanding under the Amended Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on the aggregate amount of each lender's Revolving Credit Commitment (whether or not such Revolving Credit Commitment is drawn), as defined in the Amended Credit Agreement. The applicable facility fee will range in amount from 0.15% to 0.30%, depending on our leverage ratio. In the event that we convert the pricing structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

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

The Amended Revolver and the Amended \$100 Million Term Loan may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Amended \$100 Million Term Loan and repaid or prepaid may not be reborrowed.

The Amended Credit 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 Credit 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 Credit 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.

As of the filing date of this Quarterly Report on Form 10-Q, we had borrowings of \$50.0 million outstanding under the Amended Revolver, leaving \$300.0 million available for future borrowings.

Note Purchase and Guarantee Agreement

On July 13, 2017, we entered into a Note Purchase and Guarantee Agreement (the “NPGA”) for the private placement of \$125.0 million of senior guaranteed notes, maturing on July 13, 2027, with a fixed annual interest rate of 3.93% (the “\$125 Million Notes”), and interest payable quarterly, commencing on October 13, 2017. On July 13, 2017, we completed the issuance of the \$125 Million Notes. The proceeds were used to partially fund the acquisition of a property comprised of six multi-tenant buildings totaling 1.2 million rentable square feet with a contract price of \$210.5 million.

Investment Grade Rating

In September 2017, Fitch Ratings affirmed our investment grade credit rating of BBB- with a stable outlook on the Amended Revolver, the Amended \$100 Million Term Loan, our \$100 million guaranteed senior notes (the “\$100 Million Notes”) and the \$125 Million Notes. They also affirmed our investment grade credit rating of BB on our 5.875% series A Cumulative Redeemable Preferred Stock (the “Series A Preferred Stock”). Our credit ratings are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us, and, although it is our intent to maintain our investment grade credit rating, there can be no assurance that we will be able to maintain our current credit ratings. In the event our current credit ratings are downgraded, it may become difficult or more expensive to obtain additional financing or refinance existing indebtedness as maturities become due.

Uses of Liquidity

Acquisitions

One of our most significant liquidity needs has historically been for the acquisition of real estate properties. Year to date, we have acquired 15 properties with a combined 3.6 million rentable square feet for a total gross purchase price of \$541.2 million, and we are actively monitoring a volume of properties in our markets that we believe represent attractive potential investment opportunities to continue to grow our business. As of the filing date of this Quarterly Report on Form 10-Q, we have approximately \$91.3 million of acquisitions under contract or letter of intent. While the actual number of acquisitions that we complete will be dependent upon a number of factors, in the short term, we expect to fund our acquisitions through available cash on hand, cash flows from operations, borrowings available under the Amended Revolver, recycling capital through property dispositions and, in the long term, through the issuance of equity securities or proceeds from long-term secured and unsecured financings.

Recurring and Nonrecurring Capital Expenditures

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. As discussed above under — Factors that May Influence Future Results — Acquisitions and Redevelopment of Properties, as of September 30, 2017, eight of our properties were in various stages of redevelopment and repositioning or lease-up, and we anticipate beginning repositioning work on one additional property in 2018. We currently estimate that approximately \$45.6 million of capital will be required over the next seven quarters (4Q-2017 through 2Q-2019) to complete the redevelopment and repositioning of these properties. This estimate, however, is based on our current construction plans and budgets, both of which are subject to change as a result of a number of factors. If we are unable to complete construction on schedule or within budget, we could incur increased construction costs and experience potential delays in leasing the properties. We expect to fund these projects through a combination of cash flow from operations, the issuance of common stock under the \$300 Million ATM Program and borrowings available under the Amended Revolver.

The following table sets forth certain information regarding non-recurring and recurring capital expenditures at the properties in our portfolio as follows (dollars in thousands):

	Nine Months Ended September 30, 2017		
	Total	Square Feet ⁽¹⁾	Per Square Foot ⁽²⁾
Non-Recurring Capital Expenditures ⁽³⁾	\$ 23,966	11,709,772	\$ 2.05
Recurring Capital Expenditures ⁽⁴⁾	1,699	16,104,713	\$ 0.11
Total Capital Expenditures	\$ 25,665		

- (1) For non-recurring capital expenditures, reflects the aggregate square footage of the properties in which we incurred such capital expenditures. For recurring capital expenditures reflects the weighted average square footage of our consolidated portfolio during the period.
- (2) Per square foot amounts are calculated by dividing the aggregate capital expenditure costs by the square footage as defined in (1) above.
- (3) Non-recurring capital expenditures are expenditures made in respect of a property for improvement to the appearance of such property or any other major upgrade or renovation of such property, and further includes capital expenditures for seismic upgrades, or capital expenditures for deferred maintenance existing at the time such property was acquired.
- (4) Recurring capital expenditures are expenditures made in respect of a property for maintenance of such property and replacement of items due to ordinary wear and tear including, but not limited to, expenditures made for maintenance or replacement of parking lot, roofing materials, mechanical systems, HVAC systems and other structural systems.

Commitments and Contractual Obligations

The following table sets forth our principal obligations and commitments as of September 30, 2017, including (i) scheduled principal payments and debt maturities, (ii) periodic interest payments related to our outstanding indebtedness and interest rate swaps, (iii) office and ground lease payments and (iv) other contractual obligations (in thousands):

	Payments by Period						
	Total	Remainder of 2017	2018	2019	2020	2021	Thereafter
Principal payments and debt maturities	\$ 666,979	\$ 263	\$ 5,991	\$ 58,266	\$ 166	\$ 50,175	\$ 552,118
Interest payments - fixed-rate debt	84,744	1,340	9,441	9,333	9,325	9,316	45,989
Interest payments - variable-rate debt ⁽¹⁾	50,573	2,953	11,578	10,803	9,745	8,718	6,776
Interest rate swap payments ⁽²⁾	3,958	271	1,268	901	852	653	13
Office lease payments	1,821	185	783	569	164	120	—
Ground lease payments	6,432	36	144	144	144	144	5,820
Contractual obligations ⁽³⁾	20,383	20,383	—	—	—	—	—
Total	\$ 834,890	\$ 25,431	\$ 29,205	\$ 80,016	\$ 20,396	\$ 69,126	\$ 610,716

- (1) Based on the 1-month LIBOR rate of 1.23222%, as of September 30, 2017.
- (2) Reflects the estimated payments to counterparties assuming that the 1-month LIBOR rate is equal to 1.23222% from the effective date through the maturity date of each respective interest rate swap.
- (3) Includes total commitments for tenant improvement and construction work related to obligations under certain tenant leases and vendor contracts. We anticipate these obligations to be paid as incurred through the remainder of 2017 and 2018. As the timing of these obligations is subject to a number of factors, for purposes of this table, we have included the full amount under "Remainder of 2017".

Dividends and Distributions

In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to distribute a percentage

of our cash flow on a quarterly basis to holders of our common stock. In addition, we intend to make distribution payments to holders of OP Units and dividend payments to holders of our preferred stock.

On October 30, 2017, our board of directors declared a quarterly cash dividend of \$0.145 per share of common stock and a quarterly cash distribution of \$0.145 per OP Unit, to be paid on January 15, 2018, to holders of record as of December 29, 2017. Also on October 30, 2017, our board of directors declared a quarterly cash dividend of \$0.36719 per share of the Series A Preferred Stock, to be paid on December 29, 2017, to preferred stockholders of record as of December 15, 2017.

Consolidated Debt

The following table sets forth certain information with respect to our consolidated debt outstanding as of September 30, 2017:

	Maturity Date	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	Maturity Date of Effective Swaps
Secured Debt:					
\$60M Term Loan	8/1/2019 ⁽³⁾	LIBOR + 1.90%	3.817% ⁽⁴⁾	\$ 59,087	2/15/2019
Gilbert/La Palma	3/1/2031	5.125%	5.125%	2,803	—
12907 Imperial Highway	4/1/2018	5.950%	5.950%	5,089	—
Unsecured Debt:					
Amended \$100M Term Loan Facility	2/14/2022	LIBOR + 1.20% ⁽⁵⁾	3.098% ⁽⁶⁾	100,000	12/14/2018
Amended Revolver ⁽⁷⁾	2/12/2021 ⁽⁸⁾	LIBOR + 1.10% ⁽⁵⁾	2.332%	50,000	—
\$225M Term Loan Facility	1/14/2023	LIBOR + 1.50% ⁽⁵⁾	2.732% ⁽⁹⁾	225,000	—
\$100M Senior Notes	8/6/2025	4.290%	4.290%	100,000	—
\$125M Senior Notes	7/13/2027	3.930%	3.930%	\$ 125,000	—
Total Consolidated			3.346%	\$ 666,979	

- (1) Includes the effect of interest rate swaps that were effective as of September 30, 2017. Assumes a 1-month LIBOR rate of 1.23222% as of September 30, 2017, as applicable. Excludes the effect of amortization of debt issuance costs, discounts/premiums and the facility fee on the Amended Revolver.
- (2) Excludes unamortized debt issuance costs and discounts/premiums aggregating \$2.8 million as of September 30, 2017.
- (3) One additional one-year extension is available, if certain conditions are satisfied.
- (4) As of September 30, 2017, this term loan has been effectively fixed at 3.817% through the use of two interest rate swaps as follows: (i) \$30 million at 3.726% with an effective date of January 15, 2015 and (ii) \$29.1 million at 3.91% with an effective date of July 15, 2015.
- (5) The LIBOR margin will range from 1.20% to 1.70% for the Amended \$100 Million Term Loan, 1.10% to 1.50% for the Amended Revolver and 1.50% to 2.25% for the \$225 Million Term Loan Facility depending on our leverage ratio, which is the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. This leverage ratio is measured on a quarterly basis, and as a result, the effective interest rate will fluctuate from period to period.
- (6) As of September 30, 2017, the Amended \$100 Million Term Loan has been effectively fixed at 1.8975% plus the applicable LIBOR margin through the use of two interest rate swaps as follows: (i) \$50 million with a strike rate of 1.79% with an effective date of August 14, 2015, and (ii) \$50 million with a strike rate of 2.005% with an effective date of February 16, 2016.
- (7) The Amended Revolver is subject to an applicable facility fee which is calculated as a percentage of the total lenders' commitment amount, regardless of usage. The applicable facility fee will range from 0.15% to 0.30% depending upon our leverage ratio.
- (8) Two additional six-month extensions available at the borrower's option.
- (9) As of September 30, 2017, we have executed two interest rate swaps that will effectively fix the interest on the \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of September 30, 2017:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	% of Total
Fixed vs. Variable:					
Fixed	6.6	3.83%	3.83%	\$ 391,979	59%
Variable	4.9	LIBOR + 1.43%	2.66%	\$ 275,000	41%
Secured vs. Unsecured:					
Secured	2.2		4.03%	\$ 66,979	10%
Unsecured	6.3		3.27%	\$ 600,000	90%

(1) Includes the effect of interest rate swaps that were effective as of September 30, 2017. Excludes the effect of amortization of debt issuance costs, discounts/premiums and the facility fee on the Amended Revolver. Assumes a 1-month LIBOR rate of 1.23222% as of September 30, 2017, as applicable.

(2) Excludes unamortized debt issuance costs and discount/premiums aggregating \$2.8 million as of September 30, 2017.

At September 30, 2017, we had total consolidated indebtedness of \$667.0 million, excluding unamortized debt issuance costs and discounts/premiums, with a weighted average interest rate of 3.346% and an average term-to-maturity of 5.9 years. As of September 30, 2017, \$392.0 million, or 59% of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan (\$232.9 million) or an interest rate swap (\$159.1 million). We have two interest rate swaps that will effectively fix the interest on the \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018 to January 14, 2022 and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018 to January 14, 2022. If these two interest rate swaps were effective as of September 30, 2017, our consolidated debt would be 93% fixed-rate and 7% variable-rate.

At September 30, 2017, we had consolidated indebtedness of \$667.0 million, reflecting a net debt to total combined market capitalization of approximately 21.7%. Our total market capitalization is defined as the sum of the market value of our outstanding preferred stock plus the market value of our common stock excluding shares of nonvested restricted stock, plus the aggregate value of common units not owned by us, plus the value of our net debt. Our net debt is defined as our consolidated indebtedness less cash and cash equivalents.

Debt Covenants

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- For the Amended Credit Agreement and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the \$100 Million Notes and the \$125 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;
- Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) 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%;
- Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes also contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as defined in the credit agreement) and (2) the amount required for us to qualify

and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

Additionally, subject to the terms of the \$100 Million Notes and the \$125 Million Notes (together the “Notes”), upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60 million term loan contains the following financial covenants:

- Maintaining a Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00, to be tested quarterly;
- Maintaining Unencumbered Liquid Assets (as defined in the term loan agreement) of not less than (i) \$5 million, or (ii) \$8 million if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2 million must be cash or cash equivalents, to be tested annually as of December 31 of each year;
- Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75 million, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly debt covenants as of September 30, 2017.

Off Balance Sheet Arrangements

As of September 30, 2017, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Nine Months Ended September 30, 2017 to the Nine Months Ended September 30, 2016

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the nine months ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		Change
	2017	2016	
Cash provided by operating activities	\$ 58,129	\$ 44,010	\$ 14,119
Cash used in investing activities	\$ (491,948)	\$ (312,099)	\$ (179,849)
Cash provided by financing activities	\$ 431,212	\$ 318,151	\$ 113,061

Net cash provided by operating activities. Net cash provided by operating activities increased by \$14.1 million to \$58.1 million for the nine months ended September 30, 2017, compared to \$44.0 million for the nine months ended September 30, 2016. The increase was primarily attributable to incremental cash flows from property acquisitions completed subsequent to January 1, 2016, and the increase in Cash NOI from our Same Properties Portfolio, partially offset by higher cash paid for interest for comparable periods and changes in working capital.

Net cash used in investing activities. Net cash used in investing activities increased by \$179.8 million to \$491.9 million for the nine months ended September 30, 2017, compared to \$312.1 million for the nine months ended September 30, 2016. The increase was primarily attributable to a \$224.5 million increase in cash paid for property acquisitions, including related deposits, partially offset by a \$44.0 million increase in net proceeds received from the sale of properties for comparable periods

Net cash provided by financing activities. Net cash provided by financing activities increased by \$113.1 million to \$431.2 million for the nine months ended September 30, 2017, compared to \$318.2 million for the nine months ended September 30, 2016. The change was primarily attributable to the \$289.0 million increase in draws on our unsecured revolving credit facility and the \$129.6 million increase in net cash proceeds from the sale of common shares for comparable periods and the \$125.0 million increase in cash proceeds from the issuance of the \$125 Million Notes in July 2017. The increase was partially offset by the decrease in cash proceeds from borrowings on our \$225 Million Term Loan Facility of \$225.0 million, the \$98.5 million increase in paydowns made on our unsecured revolving credit facility for comparable periods, the \$87.0 million decrease in net cash proceeds from the issuance of the Series A Preferred Stock completed in August 2016, the \$9.9 million repayment of one of our secured mortgage loans in March 2017, inclusive of a \$0.2 million early prepayment premium, and a \$9.1 million increase in the payment of dividends and distributions primarily resulting from an increase in the number of common shares outstanding and the issuance of the Series A Preferred Stock in August 2016.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. A key market risk we face is interest rate risk. We are exposed to interest rate changes primarily as a result of debt used to satisfy various short-term and long-term liquidity needs, which bears interest at variable rates. We use interest rate swaps to manage, or hedge, interest rate risks related to our borrowings. Because actual interest rate movements over time are uncertain, our swaps pose potential interest rate risks, notably if interest rates fall. We also expose ourselves to credit risk, which we attempt to minimize by contracting with highly-rated banking financial counterparties. For a summary of our outstanding variable-rate debt, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. For a summary of our interest rate swaps, see Note 7 to our consolidated financial statements.

As of September 30, 2017, interest on our \$60.0 million amortizing term loan has been effectively fixed through the use of two interest rate swaps, with notional values of \$30.0 million and \$29.1 million, respectively. The first interest rate swap, which is effective for the period from January 15, 2015 to February 15, 2019, currently fixes the annual interest rate payable at 3.726%. The second interest rate swap, which is an amortizing swap, is effective for the period from July 15, 2015 to February 15, 2019, and currently fixes the annual interest rate payable at 3.91%.

As of September 30, 2017, interest on the \$100 Million Amended Term Loan has been effectively fixed through the use of two interest rate swaps, each with a notional value of \$50.0 million. The first interest rate swap has an effective date of August 14, 2015, and a maturity date of December 14, 2018, and the second interest rate swap has an effective date of February 16, 2016, and a maturity date of December 14, 2018. The two interest rate swaps currently fix the annual interest rate payable on the Amended \$100 Million Term Loan as follows: 1.79% for the first \$50.0 million and 2.005% for the second \$50.0 million, plus an applicable margin under the terms of the Amended Credit Agreement.

On August 11, 2017, we entered into an interest rate swap transaction to manage our exposure to fluctuations in the variable interest rate associated with Amended \$100 Million Term Loan. The interest rate swap, which has a notional value of \$100.0 million, has an effective date of December 14, 2018, which coincides with the termination date of the two in-place interest rate swaps noted above, and has a maturity date of August 14, 2021. Upon termination of the two in-place swaps, the new swap will effectively fix the annual interest rate payable on the Amended \$100 Million Term Loan at 1.764% plus an applicable margin under the terms of the Amended Credit Agreement.

During 2016, we entered into two interest rate swap transactions to manage our exposure to fluctuations in the variable interest rate associated with the \$225 Million Term Loan Facility. The first interest rate swap has a notional value of \$125.0 million, an effective date of February 14, 2018, and a maturity date of January 14, 2022. The second interest rate swap has a notional value of \$100.0 million, an effective date of August 14, 2018, and a maturity date of January 14, 2022. When these interest rate swaps become effective, they will fix the annual interest rate payable on the \$225 Million Term Loan Facility as follows: 1.349% for \$125.0 million of the principal outstanding and 1.406% for the remaining \$100.0 million of principal outstanding, plus an applicable margin under the terms of the \$225 Million Term Loan Facility.

At September 30, 2017, we had total consolidated indebtedness, excluding unamortized debt issuance costs and discounts/premiums, of \$667.0 million. Of this total amount, \$392.0 million, or 59%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining \$275.0 million, or 41%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of September 30, 2017, if LIBOR were to increase by 50 basis points, the increase in interest expense on our variable-rate debt would decrease our future earnings and cash flows by approximately \$1.4 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would increase our future earnings and cash flows by approximately \$1.4 million annually.

Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our financial instruments. We calculate interest sensitivity by multiplying the amount of variable rate debt outstanding by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of our floating rate debt or the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in our financial structure.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the Security and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including the Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including our Co-Chief Executive Officers and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of September 30, 2017, the end of the period covered by this report.

Based on the foregoing, our Co-Chief Executive Officers and Chief Financial Officer concluded that, as of September 30, 2017, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. No changes to our internal control over financial reporting were identified that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

Please refer to our Risk Factors as set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to the risk factors as set forth in these documents.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 to July 31, 2017 ⁽¹⁾	13,543	\$ 27.85	N/A	N/A
August 1, 2017 to August 31, 2017 ⁽¹⁾	607	28.67	N/A	N/A
September 1, 2017 to September 30, 2017	—	—	N/A	N/A
	<u>14,150</u>	<u>\$ 27.88</u>	N/A	N/A

(1) In July 2017 and August 2017, these shares were tendered by certain of our employees to satisfy minimum statutory tax withholding obligations related to the vesting of restricted shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	
3.1	<u>Articles of Amendment and Restatement of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.1 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))</u>
3.2	<u>Rexford Industrial Realty, Inc. Second Amended and Restated Bylaws of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K, filed by the registrant on May 26, 2017)</u>
3.3	<u>Articles Supplementary designating the Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A, filed by the registrant on August 15, 2016)</u>
3.4	<u>Third Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 3.2 of Form 8-K, filed by the registrant on August 16, 2016)</u>
4.1	<u>Form of Certificate of Common Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))</u>
4.2	<u>Form of Specimen Certificate of Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A, filed by the registrant on August 15, 2016)</u>
10.1*	<u>Purchase and Sale Agreement and Joint Escrow Instructions by and between Rexford Industrial Realty, L.P., as Buyer, and CSHV Rancho Pacifica, LLC, as Seller, dated as of July 5, 2017, as amended July 10, 2017</u>
10.2	<u>Note Purchase and Guarantee Agreement, dated as of July 13, 2017, by and among Rexford Industrial Realty L.P., Rexford Industrial Realty, Inc. and the purchasers named therein (incorporated by reference to Exhibit 10.1 of Form 8-K, filed by the registrant on July 19, 2017)</u>
31.1*	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.3*	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.3*	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.1*	The registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to the Consolidated Financial Statements (unaudited) that have been detail tagged.

* Filed herein

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

Rexford Industrial Realty, Inc.

November 2, 2017

/s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer (Principal Executive Officer)

November 2, 2017

/s/ Howard Schwimmer

Howard Schwimmer

Co-Chief Executive Officer (Principal Executive Officer)

November 2, 2017

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

(Principal Financial and Accounting Officer)

**PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS
("AGREEMENT")**

BY AND BETWEEN

**REXFORD INDUSTRIAL REALTY, L.P.,
a MARYLAND LIMITED PARTNERSHIP
("BUYER")**

AND

**CSHV RANCHO PACIFICA, LLC,
a DELAWARE LIMITED LIABILITY COMPANY
("SELLER")**

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PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "Agreement") is dated as of July 5, 2017 (the "Effective Date"), and is entered into by and between REXFORD INDUSTRIAL REALTY, L.P., a Maryland limited partnership ("Buyer"), and CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company ("Seller").

1. **Purchase and Sale of Property.** Seller hereby agrees to sell, and Buyer hereby agrees to acquire, upon the terms and conditions herein stated, that certain real property located in the City of Rancho Dominguez, County of Los Angeles, State of California, which is more particularly described in Exhibit A (the "Real Property"), together with:

(a) All buildings, improvements and other structures presently located on the Real Property (the "Improvements"); provided, however, that "Improvements" shall not include any fixtures or other improvements owned by "Tenants" (as hereinafter defined);

(b) All personal property (excluding cash and software) owned by Seller, if any, located in or on, and used exclusively in connection with the operation of, the Real Property or the Improvements (the "Personal Property");

(c) Any and all of Seller's right, title and interest in and to the leases, licenses and occupancy agreements, including amendments thereto, covering all or any portion of the Real Property or Improvements (collectively the "Leases") to the extent such Leases are in effect at "Closing" (as hereinafter defined), including any guaranties thereof and any security deposits thereunder in Seller's possession at Closing; and

(d) Any and all of Seller's right, title and interest in and to any of the following existing at the Closing (i) all assignable contracts and agreements (collectively, the "Operating Agreements") relating to the leasing, operation, maintenance or repair of the Real Property, Improvements or Personal Property, (ii) all assignable warranties and guaranties issued to Seller in connection with the Improvements or the Personal Property, (iii) all assignable permits, licenses, approvals and authorizations issued by any governmental authority in connection with the Real Property, and (iv) the non-exclusive use of the names "Rancho Pacifica Industrial Park" and "Rancho Pacifica Park" (the property described in this Paragraph 1(d) being sometimes herein referred to collectively as the "Intangibles").

The Real Property, Improvements, Personal Property, Leases and Intangibles are collectively referred to hereinafter as the "Property."

2. **Purchase Price.** The purchase price for the Property shall be Two Hundred Ten Million Five Hundred Thousand Dollars (\$210,500,000) (the "Purchase Price"), payable as follows:

(a) No later than one (1) business day following the Effective Date, Buyer shall deposit in "Escrow" (as hereinafter defined) with First American Title Insurance Company, Attention: Maurice Neri ("Escrow Holder"), in an interest-bearing account established by Escrow Holder (the "Escrow Account"), in cash or other immediately available funds, the sum of Six

Million Dollars (\$6,000,000) (the "Deposit"). The Escrow Holder shall hold the Deposit or any portion thereof in the Escrow Account, in accordance with the terms and conditions of this Agreement. All interest on such sum shall be deemed income of Buyer, and Buyer shall be responsible for the payment of all costs and fees imposed on the Escrow Account. Nevertheless, all interest accrued on such sum shall be held and disbursed with, and deemed to be a part of, the "Deposit" for all purposes of this Agreement. At Closing, the Deposit and all interest accrued thereon shall be applied toward the Purchase Price and paid through Escrow to Seller. The Deposit is nonrefundable to Buyer except as expressly provided in this Agreement.

(b) In any event or circumstance in which Buyer shall be entitled to the return of the Deposit, the amount of One Hundred Dollars (\$100.00) ("Independent Consideration") shall be withheld therefrom and delivered to Seller, which amount the parties bargained for and agreed to as consideration for Seller's grant to Buyer of Buyer's exclusive right to purchase the Property and to terminate this Agreement pursuant to the terms hereof, and for Seller's execution, delivery and performance of this Agreement. The Independent Consideration is in addition to and independent of any other consideration or payment provided in this Agreement, is non-refundable under any circumstances, and shall be retained by Seller notwithstanding any other provisions of this Agreement.

(c) The balance of the Purchase Price, plus or minus any applicable prorations pursuant to this Agreement, shall be deposited by Buyer into the Escrow Account and shall be paid through Escrow to Seller at Closing in cash or other immediately available funds not later than 2:00 p.m. Eastern time on the "Closing Date" (hereafter defined).

(d) Buyer shall have the right to cause the Purchase Price to be allocated among the buildings and/or parcels comprising the Property in amounts determined by Buyer in Buyer's reasonable discretion by notice to Seller and Escrow Holder of such allocation no later than ten (10) business days prior to the Closing Date.

3. Conditions to Closing.

(a) Buyer's Approvals. The "Due Diligence Period" shall expire at 5:00 p.m. on July 10, 2017. Buyer's obligation to consummate the transactions contemplated by this Agreement (the "Transactions") is subject to and conditioned upon Buyer's approval, deemed approval or waiver of the right to approve of the following prior to the expiration of the Due Diligence Period:

(i) Title and Survey Review. The condition of the title to the Property. Seller shall order an ALTA commitment for title insurance with respect to the Real Property (the "Title Commitment") prepared by First American Title Insurance Company, Attention: Maurice Neri and Bobby Hatfield (the "Title Company"), and Seller shall request that the Title Company deliver the Title Commitment, together with copies of all documents referred to therein, to Buyer. Seller will provide to Buyer the most current survey of the Property in Seller's possession. Buyer may, at Buyer's sole cost and expense, obtain a current survey of the Real Property (the "Survey"). It shall be a condition to Closing that the Title Company shall be committed to issue to Buyer an ALTA standard coverage Owner's Policy of Title Insurance, or, if

Buyer elects, an ALTA extended coverage Owner's Policy of Title Insurance, in an amount equal to the Purchase Price and insuring title to the Property is vested in Buyer, subject only to the "Permitted Exceptions" (as hereinafter defined), and including only the "Endorsements" (as hereinafter defined) (the "Title Policy"). The following matters shall be deemed "Permitted Exceptions": all matters disclosed by the Title Commitment except only (A) those matters which the Title Company has removed from the Title Commitment by written supplement and (B) those matters which Seller has agreed in writing to cause to be removed at or before Closing. The "Endorsements" shall include only those endorsements which, prior to the expiration of the Due Diligence Period, the Title Company has agreed in writing to include in the Title Policy or Seller has agreed in writing to cause to be included in the Title Policy. To the extent that the issuance of the Title Policy is conditioned on any act, the provision of any information or the execution of any document by Seller (each a "Seller Title Requirement") which Seller has not expressly agreed to in writing, then, unless Buyer shall have given notice of disapproval prior to the expiration of the Due Diligence Period pursuant to Paragraph 3(b), Buyer shall be deemed to have agreed to accept the Title Policy with the inclusion therein of any and all additional qualifications and exceptions to coverage which the Title Company may deem appropriate to include therein on account of such Seller Title Requirement, each of which shall be deemed a Permitted Exception. Notwithstanding the foregoing provisions of this Paragraph 3(a)(i), Seller agrees to cause the Title Company to remove or discharge from record (which, for the avoidance of doubt, includes Seller's ability to bond over any item referenced in clause (y) below (to Buyer's reasonable satisfaction)) at or prior to Closing, (x) any mortgage, deed of trust or other encumbrance evidencing outstanding indebtedness placed on the Property by Seller and (y) any mechanic's or materialman's liens or any other monetary liens affecting the Property that were created as a result of acts or omissions taken or made by or on behalf of Seller (e.g., claims arising from work commissioned by or on behalf of Seller) which may be discharged by the payment of a fixed and ascertainable sum of money. Further, Seller hereby agrees to provide to the Title Company at or prior to Closing (1) an owner's affidavit with respect to certain certifications as the Title Company may reasonably require in order to issue the Title Policy and (2) a so-called "Gap Indemnity" to the extent required by the Title Company in order to permit the Transactions to close pursuant to a so-called "Gap Closing," each in form and substance reasonably agreed to by the Title Company and Seller prior to the expiration of the Due Diligence Period. If, following the expiration of the Due Diligence Period, Buyer receives an update to the Title Commitment (an "Updated Title Commitment"), which Updated Title Commitment reflects exception(s) to title that were not first disclosed on a prior Title Commitment ("New Title Exception(s)"), then Buyer shall have until the sooner to occur of the Closing Date and one (1) business day after receipt of any update to the Updated Title Commitment, to notify Seller in writing ("Title Objection Notice") of Buyer's objection to any New Title Exception ("Objectionable Exception(s)"). Any New Title Exception which is not identified in Buyer's Title Objection Notice shall be a Permitted Exception. Within three (3) business days after receipt of the Title Objection Notice (the parties agreeing that Closing shall be extended to accommodate such period, if necessary), Seller shall notify Buyer in writing (the "Title Response Notice") whether or not Seller will cure any or all of such Objectionable Exception(s); provided, however, that Seller shall have no obligation to cure, or attempt to cure, any Objectionable Exception. Failure of Seller to give notice to Buyer with respect to all or any Objectionable Exceptions shall be deemed an election by Seller not to cure such objection(s). If

Seller notifies Buyer that it will not cure any Objectionable Exception(s), or such is deemed to be the case, then, prior to the sooner to occur of the Closing Date and one (1) business day after Buyer's receipt, or deemed receipt, of Seller's Title Response Notice, Buyer shall elect to either (i) waive in writing the Buyer's Objectionable Exception(s) and proceed to Closing (in which event all Objectionable Exception(s) shall be considered Permitted Exceptions); or (ii) terminate this Agreement by providing written notice of such termination to Seller whereupon this Agreement shall automatically terminate and the provisions of Paragraph 3(e) shall apply.

(ii) Lease Review. The Leases and all Tenants thereunder (the "Tenants");

(iii) Condition of the Property. The condition of the Property, including, but not limited to, the structure of the Improvements, the boundaries and dimensions of the Real Property and Improvements, entitlements and permits relating to the Property, the soils and environmental condition of the Property, the physical and economic condition of the Property, the suitability of the Property for Buyer's intended use, and any and all other matters relating to the Property deemed relevant by Buyer. Notwithstanding the foregoing, Buyer has had the opportunity to review and approve the condition of the roofs and the structural report that contains a scenario upper loss (SUL) of 21% or lower, and the condition of the HVAC systems, and hereby waives any right to object to the same or terminate this Agreement pursuant to Paragraph 3(b) as a result thereof;

(iv) Books and Records. All books and records relating to the Property in Seller's possession. Seller shall use good faith efforts to make such books and records available for Buyer's review. Notwithstanding anything to the contrary in this Agreement, Seller shall not be obligated to provide Buyer with any of Seller's internal memoranda or reports, any financial projections, budgets or appraisals, or any other confidential, proprietary or privileged information (the "Confidential Information"). In addition, Seller shall not have any liability, obligation or responsibility of any kind with respect to the content or accuracy of any report, study, opinion, projection or analysis; and

(v) Operating Agreements. All Operating Agreements. If permitted under any Operating Agreement, Seller shall, after expiration of the Due Diligence Period, but prior to Closing, submit written notice to the applicable vendor(s) to terminate (with a copy of such notice to be delivered to Buyer) any Operating Agreement which Buyer has notified Seller in writing prior to the expiration of the Due Diligence Period that Buyer does not wish to assume; provided that, Seller shall not be obligated to terminate any Operating Agreement where such termination would result in a default under such Operating Agreement, or where Seller would incur any expense in connection with such termination; and provided further that in any event, except for the "Terminable Operating Agreement" (as hereinafter defined), Buyer shall indemnify, defend and hold harmless Seller and the "Seller Parties" (as hereinafter defined) from any and all liability, claims, demands, damages and costs (including attorney's fees and expenses) on account of any such termination or attempted termination of any Operating Agreement. Such non-terminable Operating Agreements, if any, shall be assumed by Buyer as of the Closing. If Seller provides notice to terminate any Operating Agreement which Buyer has notified Seller in writing that Buyer does not wish to assume, but such Operating Agreement

cannot be effectively terminated until after the Closing Date (e.g., a service contract may require at least thirty (30) days advance notice of termination before its termination becomes effective), Buyer shall assume such Operating Agreement as of the Closing until such termination becomes effective in accordance with the terms and conditions of such Operating Agreement. The foregoing to the contrary notwithstanding, Seller shall cause the following Operating Agreements (the "Terminable Operating Agreement") to be terminated at Closing without liability or expense to Buyer: (1) the current property management agreement for the Property, and (2) the listing agreement for the Property.

(b) Notice of Disapproval. For purposes of this Paragraph 3, an approval which is conditioned or qualified in any way shall be deemed a disapproval. If Buyer disapproves of any of the items set forth in Paragraph 3(a), Buyer shall deliver written notice of such disapproval to Seller and Escrow Holder prior to the expiration of the Due Diligence Period ("Buyer's Notice") and this Agreement shall automatically terminate and the provisions of Paragraph 3(e) shall apply. In the event Buyer does not deliver a Buyer's Notice to Seller prior to the expiration of the Due Diligence Period, then Buyer shall be conclusively deemed to have approved all of the items set forth in Paragraph 3(a), to have waived any right to terminate this Agreement pursuant to this Paragraph 3(b) and to have elected to proceed with the Transactions as set forth herein.

(c) Additional Conditions Precedent. Buyer's obligation to consummate the Transactions is also subject to and conditioned upon the satisfaction of the following additional conditions:

(i) Tenant Estoppel Certificates. Receipt by Buyer prior to Closing of tenant estoppel certificates addressed to Buyer, executed by Tenants with respect to such Tenants' Leases, and dated no earlier than sixty (60) days prior to Closing, representing at least seventy-five percent (75%) of the occupied rentable area of the Improvements, which shall include the Required Estoppels (defined below) (the "Required Estoppel Percentage"), substantially in the form attached hereto as Exhibit G ("Tenant Estoppel Certificates"); provided, however, that (a) if the form of Tenant Estoppel Certificate attached hereto requests information in addition to or different than that required to be given pursuant to a Tenant's Lease, this condition will be satisfied for such Tenant if such Tenant executes an estoppel certificate in the form required pursuant to such Tenant's Lease and (b) Buyer agrees to accept a "Seller Estoppel Certificate" (as hereinafter defined) in lieu of a Tenant Estoppel Certificate for up to (but no more than) ten percent (10%) of the occupied rentable area of the Improvements (the "Seller Estoppel Maximum") in order to achieve the Required Estoppel Percentage, provided that Seller shall not be entitled to deliver Seller Estoppel Certificates in lieu of any of the Required Estoppels. "Required Estoppels" means Tenant Estoppel Certificates for the following Tenants: Command Logistics Services, Inc., Union Supply Company and Maran, Inc. The foregoing condition precedent to deliver Tenant Estoppel Certificates and/or Seller Estoppel Certificates (up to the Seller Estoppel Maximum) shall be referred to herein as the "Tenant Estoppel Condition." Seller shall use reasonable efforts (but without obligation to incur any cost or expense or institute any legal action) to obtain and deliver such Tenant Estoppel Certificates. If any Tenant Estoppel Certificate includes material adverse disclosures that were not previously disclosed in the applicable Lease, this Agreement or any other document delivered to Buyer prior to the expiration of the Due Diligence Period (each, a "Noncomplying Tenant Estoppel Certificate"),

then Buyer shall have the right to object to such Noncomplying Tenant Estoppel Certificate. If Buyer fails to deliver written notice to Seller setting forth Buyer's objections to any Noncomplying Tenant Estoppel Certificate within two (2) business days after Buyer's receipt thereof (which may be submitted to Buyer in either the form proposed to be executed by such Tenant or as executed by such Tenant, and which, notwithstanding Paragraph 20, may be delivered to Buyer via electronic mail), then Buyer shall be conclusively deemed to have approved such Noncomplying Tenant Estoppel Certificate. For any Tenant from whom Seller is unable to obtain such a Tenant Estoppel Certificate, Seller may, but shall not be obligated to, deliver to Buyer and Buyer shall accept (up to the Seller Estoppel Maximum) a certificate from Seller with respect to such Tenant and such Tenant's Lease ("Seller Estoppel Certificate") stating as of the date delivered (1) to Seller's actual knowledge, neither Seller nor the Tenant is in default under the Lease except for the defaults specified in the Seller Estoppel Certificate, (2) the date through which base rent under the Lease has been paid, (3) the documents constituting the Lease and that, to Seller's actual knowledge, the Lease is in full force and effect and has not been supplemented or amended except as set forth in such Lease documents, and (4) the amount of the security deposit held by Seller for such Tenant. If, after Seller delivers such Seller Estoppel Certificate with respect to a Tenant, Buyer receives a Tenant Estoppel Certificate executed by such Tenant, the Seller Estoppel Certificate with respect to such Tenant shall be of no force or effect and Seller shall have no liability or obligation to Buyer on account thereof. The provisions of this Agreement limiting the survival of Seller's representations and warranties and limiting Buyer's recovery on account of any breach thereof shall apply to the statements contained in all Seller Estoppel Certificates as if they were representations and warranties set forth in Paragraph 9(b) of this Agreement. If the Tenant Estoppel Condition has not been satisfied as of the date which is two (2) business days immediately preceding the "Scheduled Closing Date" (as hereinafter defined), then either Buyer or Seller may, by notice to the other party given on or before the date that is the Scheduled Closing Date (but only once during the term of this Agreement), elect to extend the Scheduled Closing Date for a period not to exceed thirty (30) days in order for Seller to continue its efforts to obtain the necessary Tenant Estoppel Certificates, in which event the Scheduled Closing Date shall be the date that is the earlier of (i) thirty (30) days following the Scheduled Closing Date and (ii) three (3) business days following the date on which either party gives notice to the other that the Tenant Estoppel Condition has been satisfied or waived in accordance with Paragraph 3(d).

(d) Waiver of Buyer's Conditions to Closing. If any condition to Buyer's obligation to proceed with the Closing hereunder has not been satisfied as of the Closing Date or other applicable date, Buyer may nevertheless proceed to Close, notwithstanding the non-satisfaction of such condition, in which event Buyer shall be conclusively deemed to have waived any such condition.

(e) Return of Deposit. In the event of any termination of this Agreement pursuant to this Paragraph 3, and provided the party initiating such termination is not then in breach or default under this Agreement, Escrow shall be canceled, this Agreement shall be terminated and become null and void, all parties hereto shall be released from further performance of this Agreement (with the exception of those provisions or paragraphs which recite that they survive termination of this Agreement), and Escrow Holder shall return to Buyer all or any portion of the Deposit deposited with Escrow Holder (except for the portion constituting the Independent

Consideration) and shall return to each party any and all documents which such party had deposited with it.

4. Possession and Inspection.

(a) Possession. Buyer shall be entitled to possession of the Property, subject to the rights of all Tenants, on the Closing Date.

(b) Inspection. Between the Effective Date and the Closing Date (provided that Buyer's access to the Property following the expiration of the Due Diligence Period shall not be deemed to grant Buyer any rights to terminate this Agreement not otherwise explicitly provided for herein), or the earlier termination of this Agreement, Seller shall permit Buyer and "Buyer Representatives" (as hereinafter defined) reasonable access to the Property during normal business hours upon at least forty-eight (48) hours advance written notice to CBRE Global Investors, LLC ("Seller's Investment Advisor"), to the extent reasonably necessary for the purpose of conducting Buyer's investigation of the Property. At Seller's election, Seller may have a representative present during any such inspection. Neither Buyer nor Buyer Representatives shall be entitled to conduct any investigation that involves boring or penetration into the Real Property or Improvements, including, but not limited to, testing for mold (including, without limitation, air sampling) and "Phase II" environmental testing, without the express written consent of Seller which may be granted or denied in Seller's sole and absolute discretion. Any request by Buyer to Seller for permission to conduct any such intrusive testing shall be in writing and shall be accompanied by a written scope of the intended work in sufficient detail to allow Seller to reasonably evaluate the request. If granted, such consent shall only be in writing, shall only be in the form of the execution and delivery by Buyer and Seller of Seller's approved form of access agreement and shall not be construed to and shall not release Buyer from its indemnification of Seller hereunder. Buyer shall be exclusively responsible for all costs and fees associated with its investigation and review of the Property. Buyer agrees to conduct and to cause Buyer Representatives to conduct its inspections and reviews (i) in a safe and professional manner; (ii) so as not to create any dangerous or hazardous condition on the Property; (iii) in compliance with all applicable laws; (iv) only after obtaining all permits required to be obtained with respect to such inspections; and (v) in a manner that does not cause any damage, loss, cost or expense to, or claims against Seller or the Property. Buyer agrees to repair any damage or disturbance Buyer or Buyer Representatives shall cause to the Property, discharge any liens that may be imposed against the Property as a result of such inspections by Buyer or Buyer Representatives, and further Buyer agrees to indemnify, defend and hold harmless Seller and the "Seller Parties" (hereafter defined) from any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses) resulting from the activities of Buyer, Buyer Representatives and Buyer's agents, employees and contractors upon the Property and from and against all mechanics', materialmen's or other liens resulting from the conduct of Buyer, Buyer Representatives or Buyer's agents, employees and contractors upon the Property; provided, that, Buyer shall have no liability to the extent of Buyer's mere discovery of conditions previously existing at the Property (except to the extent exacerbated by Buyer or Buyer's Representatives). This provision shall survive termination of this Agreement.

(c) Insurance. Prior to any entry by Buyer or any Buyer Representatives onto the Property, Buyer shall provide to Seller evidence satisfactory to Seller that Buyer and Buyer Representatives have in force adequate liability insurance with coverage of not less than Five Million Dollars (\$5,000,000) for Buyer and Two Million Dollars (\$2,000,000) for each of the applicable Buyer Representatives, naming Seller as an additional insured, to protect Seller against any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses), as well as workers' compensation insurance as required by law, which may occur as a result of any activity of Buyer or Buyer Representatives on the Property. Buyer may satisfy the above insurance limit through One Million Dollars (\$1,000,000) in primary coverage and umbrella/excess coverage for the balance. The foregoing shall not limit or release Buyer's indemnification contained in Paragraph 4(b), above.

(d) Reports. All information, irrespective of the form of communication, provided to or obtained by Buyer or its directors, officers, employees, agents, contractors, representatives, attorneys or advisors (individually and collectively, the "Buyer Representatives"), whether prepared by or on behalf of Seller, by third party consultants engaged by Buyer, the Buyer Representatives or otherwise, in connection with Buyer's investigation of the Property shall be kept in strict confidence by Buyer and the Buyer Representatives. In the event Buyer does not complete the purchase of the Property for any reason, all studies, reports and other matters provided to Buyer or Buyer Representatives by Seller or Seller representatives shall remain the property of, and shall immediately be destroyed or delivered or returned to, Seller without charge. Seller has previously provided to Buyer copies of Seller's existing environmental reports with respect to the Property (the "Existing Environmental Reports"), and Seller hereby consents to communication and consultation, at Buyer's sole cost and expense, between Buyer and the consultant(s) who prepared the Existing Environmental Reports with respect to the subject of the same in connection with the issuance by such consultant(s) of a so-called "reliance letter" in favor of Buyer with respect to such Existing Environmental Reports. This provision shall survive termination of this Agreement.

(e) Tenants. In no event shall Buyer or Buyer Representatives be authorized to conduct any activities pursuant to this Paragraph 4, or otherwise, which would in any way unreasonably interfere with or disturb any Tenant of the Property. Buyer shall not communicate with any Tenant of the Property without Seller's express written consent and Seller may have a representative present during any such communication.

(f) Seller's Access. For a period of three (3) years after the Closing, Buyer shall allow Seller and its agents and representatives access without charge to all files, records and documents delivered to Buyer by Seller at or prior to the Closing, upon reasonable advance notice and at all reasonable times, to, at Seller's cost, examine and make copies of any and all such files, records and documents.

5. The Closing.

(a) The Closing Date. The consummation of the purchase and sale of the Property ("Closing") shall occur at a time and on a date mutually acceptable to Buyer and Seller, but in no event later than 2:00 p.m. Eastern time on July 18, 2017 (the "Scheduled Closing Date"),

unless extended pursuant to Paragraph 3(a)(i) or Paragraph 3(c)(i) hereof. The date upon which Closing shall occur is referred to as the “Closing Date.” Closing shall occur through Escrow as herein provided.

(b) Deliveries through Escrow. Seller and Buyer shall each deliver to the other through Escrow such documents, instruments and funds consistent with this Agreement as are necessary to consummate the purchase and sale of the Property pursuant to this Agreement, including, without limitation, the following:

(i) Deliveries by Buyer. Buyer shall deliver the following:

- (1) the Purchase Price in cash or other immediately available funds;
- (2) an Assignment and Assumption in the form of Exhibit B (the “Assignment and Assumption”), executed by Buyer; a preliminary change of ownership report for the Property, executed by Buyer;
- (3) a “Closing Statement” (as hereinafter defined), in form and content satisfactory to Buyer and Seller, executed by Buyer; and
- (4) such evidence of Buyer’s authority as the Title Company may reasonably require and such other instruments consistent with this Agreement as are reasonably required by Escrow Holder or otherwise required to close Escrow.

(ii) Deliveries by Seller. Seller shall deliver the following:

- (1) a Deed in the form of Exhibit C (the “Deed”), executed and acknowledged by Seller;
- (2) a Bill of Sale in the form of Exhibit D, executed by Seller;
- (3) the Assignment and Assumption, executed by Seller;
- (4) a Certificate of Non-Foreign Status in the form of Exhibit E, executed by Seller;
- (5) a California Franchise Tax Board Form 593-C executed by Seller;
- (6) the Closing Statement, in form and content satisfactory to Buyer and Seller, executed by Seller’s Investment Advisor; and
- (7) such evidence of Seller’s authority as the Title Company may reasonably require, as well as such other Seller Title Requirements, agreed to by Seller prior to the expiration of the Due Diligence Period.

(c) Deliveries Outside Escrow. Seller and Buyer shall each deliver to the other outside of Escrow such additional items as are necessary to consummate the purchase and sale of the Property pursuant to this Agreement, including, without limitation, the delivery by Seller to Buyer of the following to the extent any of the following are in Seller's possession and have not been previously delivered to Buyer:

- (i) permits, warranties and plans and specifications relating to the Property;
- (ii) Operating Agreements, Tenant files and Leases; and
- (iii) the keys, combinations and pass cards to doors or locks on the Property.

(d) Notice to Tenants. Seller shall cause Seller's Investment Advisor to execute and deliver promptly after Closing a Notice to Tenant in the form of Exhibit F (or such other form as may be required by applicable state law) to the Tenants then leasing space at the Property.

(e) Simultaneous Delivery; Conditions Concurrent. All documents and other items to be delivered at the Closing shall be deemed to have been delivered simultaneously and no individual delivery shall be effective until all such items have been delivered.

6. Escrow.

(a) Opening of Escrow. Concurrently with the execution of this Agreement, Buyer and Seller shall open an escrow (the "Escrow") with Escrow Holder and provide Escrow Holder with a fully executed copy of this Agreement. This Agreement, together with any additional instructions executed by the parties as hereinafter provided, shall constitute Escrow Holder's instructions in connection with the Escrow.

(b) Duties of Escrow Holder. The duties of Escrow Holder shall be as follows:

- (i) retain and safely keep all funds, documents and instruments deposited with it pursuant to this Agreement;
- (ii) upon the Closing, deliver to the parties entitled thereto all funds, documents and instruments to be delivered through Escrow pursuant to this Agreement;
- (iii) upon the Closing, cause the recordation of the Deed in the Office of the County Recorder of the County in which the Property is located;
- (iv) comply with the terms of this Agreement which specifically apply to Escrow Holder and comply with the terms of any additional instructions jointly executed by Buyer and Seller;
- (v) handle the Deposit and all other funds deposited with it according to the terms of this Agreement; and

(vi) upon the Closing, cause the Title Company to issue the Title Policy to Buyer.

(c) Additional Provisions. Escrow Holder's rights and obligations shall be further specified in such additional instructions acceptable to Buyer and Seller and not inconsistent with the terms of this Agreement as Escrow Holder customarily requires in real property escrows administered by it. In the event of any conflict between this Agreement and such additional instructions, the terms of this Agreement shall prevail. Without limiting the foregoing, no provision in any supplementary Escrow instructions shall extend the Closing Date provided for herein, provide any grace period not provided in this Agreement, indemnify Escrow Holder for its negligence or willful failure to perform its duties, or give Escrow Holder or any broker any rights in this Agreement or the Deposit.

(d) No Extensions of Time. Any delay in the opening of the Escrow or the execution of supplemental escrow instructions shall in no way delay or extend the Effective Date, the expiration of the Due Diligence Period or the Closing Date.

(e) Reporting. To the extent the Transactions involve a real estate transaction within the purview of Section 6045 of the Code (as hereinafter defined), Escrow Holder shall have sole responsibility to comply with the requirements of Section 6045 of the Code (and any similar requirements imposed by state or local law), which in part requires Escrow Holder to report real estate transactions closing after December 31, 1986 by, among other things, preparing and causing to be filed any applicable Internal Revenue Service Forms and any applicable additional statements in connection therewith. For purposes hereof, Seller's tax identification number is 94-6291617. Escrow Holder shall defend, indemnify and hold Buyer, Seller and their counsel free and harmless from and against any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses) arising or resulting from the failure or refusal of Escrow Holder to comply with such reporting requirements.

7. Costs.

(a) Seller. Seller shall pay the ALTA standard coverage portion of the premium for the Title Policy, without endorsements, and one half of the Escrow fee, if any.

(b) Buyer. Buyer shall pay one half of the Escrow fee, if any, all recording charges, the premium for the Title Policy to the extent it exceeds the cost thereof to be paid by Seller, including, but not limited to, premiums for ALTA extended coverage and title endorsements desired by Buyer, if any, the cost of the Survey, and all federal, state, county and city documentary transfer taxes applicable to the Deed. In addition, any costs relating to Buyer's due diligence, including, without limitation, costs of appraisers, inspectors, auditors and environmental or engineering consultants, shall be Buyer's sole responsibility.

(c) Termination. Notwithstanding anything contained in this Paragraph 7 to the contrary: (i) if this Agreement is terminated on account of the default by any party, then the defaulting party shall pay any cancellation or termination fees chargeable by Escrow Holder or the Title Company; (ii) if this Agreement is terminated by Buyer pursuant to any provision of this Agreement giving Buyer the right to terminate, other than Seller's default, Buyer shall pay any

cancellation or termination fees chargeable by the Escrow Holder or Title Company; and (iii) if this Agreement is terminated by Seller pursuant to any provision of this Agreement giving Seller the right to terminate, other than Buyer's default, Seller shall pay any cancellation or termination fees chargeable by the Escrow Holder or Title Company. This Paragraph 7(c) shall survive termination of this Agreement.

8. Prorations and Deposits. The following shall be apportioned as of 12:01 a.m. on the Closing Date, with Buyer being credited or charged, as the case may be, with the Closing Date. All prorations shall be done on the basis of a three hundred sixty-five (365) day year and the actual number of days elapsed to the Closing Date or the actual number of days in the month in which the Closing occurs and the actual number of days elapsed in such month to the Closing Date, as applicable:

(a) Rent. Rent actually received under the Leases shall be apportioned as of the Closing Date. With respect to any rent arrearages existing under the Leases on the Closing Date, after Closing Buyer shall promptly pay to Seller any rent actually collected by Buyer which is applicable to the period preceding the Closing Date and Seller shall promptly pay to Buyer any rent actually collected by Seller which is applicable to the period on or after the Closing Date; provided, however, all rent received by Seller or Buyer after the Closing shall be applied first to then current rent and then to delinquent rent, if any, in the inverse order of maturity. For a period of ninety (90) days after Closing, Buyer shall make good faith efforts to collect all rent arrearages in accordance with Buyer's normal collection practices; provided, however, that, unless Buyer is also instituting litigation to collect rent under a Lease due after the Closing, Buyer need not institute litigation to collect rent due under such Lease prior to Closing. Subject to Paragraph 8(j), below, Seller shall be permitted to pursue its legal and equitable remedies for collection of any rent arrearages applicable to the period prior to the Closing Date, and Buyer shall cooperate with Seller's efforts, provided that Buyer shall incur no cost or expense in connection therewith.

(b) Leasing Costs. Seller shall pay or give Buyer credit for all unpaid leasing commissions and tenant improvement costs referenced on Exhibit J (the "Leasing Costs") incurred in connection with the current term of any Lease executed prior to the Effective Date. Leasing Costs incurred in connection with any Lease executed on or after the Effective Date shall be paid by Buyer or, if paid by Seller prior to Closing, credited to Seller.

(c) Security Deposits. At Closing, Seller shall, at Seller's option, either deliver to Buyer any refundable cash security deposits actually held by Seller pursuant to the Leases or credit to Buyer the amount of such cash security deposits (in each case less the amount of such security deposits as have been applied against delinquent rents or otherwise as provided in the Lease). From and after the day that is two (2) business days prior to the expiration of the Due Diligence Period, Seller shall not have the right to apply any security deposit with respect to any Lease. If any Tenant's security deposit is, wholly or partially, in the form of a letter of credit, there shall be no credit against the Purchase Price with respect to such security deposit or portion thereof. Instead, at Closing, Seller shall deliver an original of each letter of credit serving as a Tenant's security deposit to Buyer through Escrow along with the documents executed by Seller (dated as of the Closing Date) that are required to be executed by Seller to transfer such letter of credit to Buyer. Following the Closing, Buyer shall, at Buyer's cost and expense, deliver the same

to the issuing bank, along with payment of any required transfer or similar fees required by such issuer, so that the same can be processed and transferred to Buyer. Seller shall reasonably cooperate with Buyer, at no cost, expense or liability to Seller, in such transfer.

(d) Utility Charges. Seller shall use reasonable efforts to cause any applicable utility meters to be read on the day prior to the Closing Date, and will be responsible for the cost of any applicable utilities used prior to the Closing Date. If the meters are not read as herein set forth, all such expenses shall be prorated. Seller shall request, receive and retain all refundable cash and other deposits posted with utility companies serving the Property.

(e) Real Estate Taxes and Assessments. Real estate taxes and assessments for the tax year in which Closing occurs shall be prorated between Seller and Buyer as of the Closing Date, based upon the most recently available real estate tax information.

(f) Tenant Common Area Charges. Prior to the Closing, Seller shall complete a reconciliation of the charges to Tenants for maintenance expenses, operating expenses and taxes ("CAM") under the Leases for the year to date/2017. If the reconciliation shows that Seller owes the Tenants a refund of CAM, such amount owed shall be credited to Buyer at Closing and Buyer shall indemnify, defend and hold harmless Seller and the Seller Parties from any further liability therefor. If the reconciliation shows that the Tenants owe Seller additional CAM charges, such amount owed Seller shall be paid to Seller following Buyer's performance of a CAM reconciliation for the year in which the Closing occurred, to the extent Buyer is able to collect amounts attributable to the period prior to Closing using Buyer's commercially reasonable efforts to collect the same.

(g) Other Apportionments. Amounts payable under the Operating Agreements, annual or periodic permit and/or inspection fees (calculated on the basis of the period covered), and liability for other Property operation and maintenance expenses and other recurring costs shall be apportioned as of the Closing Date.

(h) Preliminary Closing Adjustment. Seller's Investment Advisor and Buyer shall jointly prepare and approve a preliminary Closing adjustment (the "Closing Statement") on the basis of the Leases and other sources of income and expense, and shall deliver such computation to Escrow Holder prior to Closing.

(i) Post-Closing Reconciliation. If any of the aforesaid prorations cannot be definitely calculated on the Closing Date, then they shall be estimated at the Closing and definitely calculated as soon after the Closing Date as feasible. As soon as the necessary information is available, Buyer and Seller shall conduct a post-Closing review to determine the accuracy of all prorations. Either party owing the other party a sum of money based on such subsequent proration(s) or post-Closing review shall promptly pay said sum to the other party within thirty (30) days of the date of demand therefor, provided that the paying party shall also pay interest on the amount so due at the rate of the lesser of two percent (2%) over the "prime rate" (as announced from time to time in the Wall Street Journal) per annum or the maximum rate allowed by law, from the date of demand to the date of payment, if payment is not made within thirty (30) days after delivery of a written demand therefor.

(j) Collection Cooperation. With respect to Seller's rights to collect certain funds after the Closing directly from Tenants, Seller shall continue to have the right, in its own name, to demand payment of and to collect such amounts owed to Seller by any Tenant, which right shall include, without limitation, the right to continue or commence legal actions or proceedings against any Tenant; provided, however, that in no event may Seller pursue any action that would result in eviction of a Tenant or termination of a Tenant's Lease. Delivery of the Tenant's Lease to Buyer at Closing shall not constitute a waiver by Seller of such right. For a period of ninety (90) days after the Closing, Buyer agrees to reasonably cooperate with Seller in connection with all efforts by Seller to collect such amounts and to take all reasonable steps as may be necessary to carry out the intention of the foregoing, including, without limitation, the delivery to Seller, upon prior written notice, of copies of any relevant books and records (including any rent statements, receipted bills and copies of Tenant checks used in payment of such sums), the execution of any and all consents or other documents, and the undertaking of any act necessary for the collection of such amounts by Seller, excluding proceedings that would result in eviction of a Tenant or termination of a Tenant's Lease, and provided that Seller shall be required to reimburse Buyer for all reasonable expenses incurred by Buyer in connection therewith.

9. Representations and Warranties.

(a) Buyer's Representations and Warranties. Buyer represents and warrants to Seller as follows:

(i) Buyer is a limited partnership, duly organized and validly existing and in good standing under the laws of the State of Maryland and in good standing and duly qualified to do business in the State where the Property is located and has the full power and authority to enter into, be bound by and comply with the terms of this Agreement and has obtained all necessary authorizations, consents and approvals to enter into and consummate the Transactions.

(ii) This Agreement and all documents executed by Buyer in connection with this Agreement which are to be delivered to Seller at Closing are, or at the time of Closing will be, duly authorized, executed and delivered by Buyer, and are, or at Closing will be, valid and binding obligations of Buyer and do not, and at the time of Closing will not, violate any provisions of any agreement or judicial order to which Buyer is a party or to which Buyer is subject.

(iii) Buyer acknowledges that the direct or indirect sole member of Seller, the California State Teachers' Retirement System ("CalSTRS"), is a unit of the California Government Operations Agency established pursuant to Title I, Division 1, Parts 13 and 14 of the California Education Code, Sections 22000, et seq., as amended (the "Education Code"). As a result, Buyer acknowledges that CalSTRS is prohibited from engaging in certain transactions with or for the benefit of an "employer", "employing agency", "member", "beneficiary" or "participant" (as those terms are defined or used in the Education Code). In addition, Buyer acknowledges that certain restrictions under the Internal Revenue Code, 26 U.S.C. Section 1 et seq., as amended (the "Code") may apply to distributions made by CalSTRS to its members, beneficiaries and participants. Accordingly, Buyer represents and warrants to Seller and

CalSTRS that (a) Buyer is neither an employer, employing agency, member, beneficiary or participant; (b) Buyer has not made any contribution or contributions to Seller or CalSTRS; (c) neither an employer, employing agency, member, beneficiary nor participant, nor any person who has made any contribution to Seller or CalSTRS, nor any combination thereof, is related to Buyer by any relationship described in Section 267(b) of the Code; (d) neither Seller, Seller's Investment Advisor, CalSTRS, their affiliates, related entities, agents, officers, directors or employees, nor any CalSTRS board member, employee or internal investment contractor thereof or therefor (collectively "Seller Affiliates"), has received or will receive, directly or indirectly, any payment consideration or other benefit from, nor does any Seller Affiliate have any agreement or arrangement with, Buyer or any person or entity affiliated with Buyer, relating to the transactions contemplated by this Agreement except as expressly set forth in this Agreement; and (e) except for any publicly traded shares of stock in Rexford Industrial Realty, Inc. (NYSE: REXR) that a Seller Affiliate may own, no Seller Affiliate has any direct or indirect ownership interest in Buyer or any person or entity controlling, controlled by or under common control with Buyer.

(iv) Buyer is currently (a) in compliance with and shall at all times during the term of this Agreement remain in compliance with the regulations of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury and any statute, executive order (including Executive Order 13224, dated September 24, 2001 and entitled "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism"), or regulation relating thereto, and (b) not listed on, and shall not during the term of this Agreement be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation.

(b) Seller's Representations and Warranties. Seller represents and warrants to Buyer as follows:

(i) Seller is a public entity and has the full power and authority to enter into and comply with the terms of this Agreement and has, or at Closing will have, obtained all necessary consents and approvals required for Seller to enter into and consummate the Transactions;

(ii) This Agreement and all documents executed by Seller in connection with this Agreement which are to be delivered to Buyer at Closing, are or at the time of Closing will be, duly authorized, executed and delivered by Seller, and are, or at Closing will be, valid and binding obligations of Seller and do not, and at the time of Closing will not, violate any provisions of any agreement or judicial order to which Seller is a party or to which Seller is subject.

(iii) Seller is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

(iv) Seller is currently (a) in compliance with and shall at all times during the term of this Agreement remain in compliance with OFAC and any statute, executive order

(including Executive Order 13224, dated September 24, 2001 and entitled “Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism”), or regulation relating thereto, and (b) not listed on, and shall not during the term of this Agreement be listed on, the Specially Designated Nationals and Blocked Persons List maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation.

(v) To Seller’s actual knowledge, there are no pending legal actions or arbitrations, at law or in equity, affecting the Property, and none have been threatened in writing against Seller.

(vi) To Seller’s actual knowledge, Exhibit H is a complete list of all Leases affecting the Property as of the Effective Date and the Leases that have been provided to Buyer by Seller are copies of the Leases that Seller uses in the ordinary course of Seller’s ownership and operation of the Property. Notwithstanding anything to the contrary contained in this Agreement, Seller does not represent or warrant that any particular Lease will be in force or effect at Closing or that the Tenants under the Leases will have performed their obligations thereunder. The termination of any Lease prior to Closing by reason of the Tenant's default shall not affect the obligations of Buyer under this Agreement in any manner or entitle Buyer to an abatement of or credit against the Purchase Price or give rise to any other claim on the part of Buyer.

(vii) To Seller’s actual knowledge, Exhibit I is a complete list of all Operating Agreements affecting the Property as of the Effective Date and the Operating Agreements that have been provided to Buyer by Seller are copies of the Operating Agreements that Seller uses in the ordinary course of Seller’s ownership and operation of the Property.

(viii) To Seller’s actual knowledge, Seller has not received written notice from any governmental authority of any environmental condition at the Property that does not comply with applicable environmental laws and regulations, except as disclosed in any environmental report obtained by Buyer or in any materials delivered or made available to Buyer in connection with Buyer’s due diligence investigation of the Property.

(ix) To Seller’s actual knowledge, Seller has not received written notice from any governmental authority of any violation of any applicable law, ordinance, rule or regulation applicable to the Property that have not been cured.

(x) To Seller’s actual knowledge, Seller has not received written notice from any governmental authority of any pending condemnation action against any of the Property.

The term “Seller’s actual knowledge” or words of similar import shall mean the current actual personal knowledge of, and only of, Mr. Anthony Ecker of Seller’s Investment Advisor, with no imputation of knowledge and no duty of investigation or inquiry; provided, however, in no event shall the foregoing individual have any personal liability as a result of being identified herein.

(c) Limitations on Seller's Liability.

(i) All representations and warranties of Buyer made in this Agreement and the representations and warranties of Seller set forth in this Agreement shall be deemed to have been made as of the Effective Date and again as of the Closing Date. Notwithstanding the foregoing, Seller's and Buyer's representations and warranties contained in this Agreement shall survive the Closing for a period of six (6) months after the Closing Date (the "Survival Period") subject to the provisions of this Paragraph 9(c). Notwithstanding anything to the contrary contained in this Agreement or in any exhibits attached hereto or in any documents executed or to be executed in connection herewith (collectively, including this Agreement, said exhibits and all such documents, the "Purchase Documents"), it is expressly understood and agreed by and between the parties hereto that the recourse of Buyer or its successors or assigns against Seller with respect to the alleged breach by or on the part of Seller of any representation, warranty, covenant, undertaking, indemnity or agreement contained in any of the Purchase Documents (collectively, "Seller's Undertakings") shall (A) be deemed waived unless Buyer has both delivered to Seller written notice that Buyer is seeking recourse under Seller's Undertakings (the "Recourse Notice") and filed suit with respect thereto after the Closing Date but prior to the expiration of the Survival Period, and (B) be limited to an amount not to exceed Five Million Dollars (\$5,000,000) in the aggregate for all recourse of Buyer under the Purchase Documents. Seller shall have no liability to Buyer for a breach or default of any of Seller's Undertakings unless the timely noticed and filed claims for all such breaches and defaults collectively aggregate more than One Hundred Thousand Dollars (\$100,000), in which event the full amount of such timely noticed and filed claims shall be actionable. Any Seller's Undertakings for which a Recourse Notice has not been given, or for which such specific suit has not been commenced on or before the expiration of the Survival Period shall terminate and cease to be of any force or effect, and neither party shall have any right, remedy, obligation or liability thereunder. Any such representation or warranty for which such specific written notice has not been given, or for which such specific suit has not been commenced, on or before the Survival Period after the Closing Date shall terminate and cease to be of any force or effect and neither party shall have any right, remedy, obligation or liability thereunder. In the event, prior to Closing, Seller discovers that any of Seller's Undertakings have materially and adversely changed, Seller shall give written notice thereof to Buyer (a "Material and Adverse Change Notice") and Seller's Undertakings shall be deemed qualified and amended as set forth in such Material and Adverse Change Notice. Within three (3) days after receipt of a Material and Adverse Change Notice (the Closing Date being hereby extended for such period, if necessary to give Buyer adequate time to respond), Buyer, as its sole and exclusive remedy at law or in equity on account of such Material and Adverse Change Notice from Seller, all other rights and remedies being hereby waived, may elect by written notice to Seller either to (1) terminate this Agreement, in which case the provisions of Paragraph 3(e) shall apply; provided, that, in the event Seller's intentional misrepresentations caused the Material and Adverse Change Notice, Buyer shall have the right to terminate this Agreement by written notice to Seller, in which event the provisions of Paragraph 3(e) shall apply and Buyer shall have the rights and remedies set forth in Paragraph 10(b) of this Agreement, or (2) accept and approve Seller's Undertakings as so qualified and amended and proceed with the Transactions without any right or remedy on account thereof. Buyer's failure to give timely written notice of such election to Seller shall constitute Buyer's irrevocable election to accept and approve Seller's Undertakings as so qualified and amended and proceed with the

Transactions without any right or remedy on account thereof. Notwithstanding the foregoing, in the event the information contained in the Material and Adverse Change Notice arose or resulted from, in whole or in part, activities by Buyer (excluding Buyer's mere discovery of existing conditions at the Property, unless exacerbated by Buyer), any of Buyer Representatives or any of Buyer's agents, employees or contractors upon the Property, Buyer shall not have the right to terminate this Agreement (nor any other right or remedy on account thereof) and Buyer's indemnification contained in Paragraph 4(b), above, shall apply.

(ii) Anything contained herein to the contrary notwithstanding, but in all events subject to the last sentence of Paragraph 9(c)(i), if (A) Buyer has knowledge of any inaccuracy in any of Seller's Undertakings, whether as a result of notice from Seller, Buyer's own investigations or inquiries, information contained in the Tenant Estoppel Certificate(s) or otherwise, or (B) any information contained in any material provided or made available to Buyer by Seller or received by Buyer from any third party (including, without limitation, any report provided to Buyer by any contractor or consultant engaged by Buyer in connection with Buyer's investigation of the Property) is in any way inconsistent with any of Seller's Undertakings, whether or not actually known to Buyer, and notwithstanding clause (A) and clause (B) Buyer nonetheless proceeds with the Transactions, then Seller's Undertakings shall be deemed qualified and amended or modified to the full extent of Buyer's knowledge and such inconsistent information, Buyer shall be deemed to have accepted and approved Seller's Undertakings as so qualified and amended or modified, and Buyer shall have no right or remedy, and Seller shall have no obligation or liability, on account thereof. Anything contained in this Agreement to the contrary notwithstanding, in the event that Buyer receives a certificate from a third party (a "Confirming Certificate") that confirms or is consistent with any of Seller's Undertakings (a "Confirmed Undertaking"), then Buyer shall look solely to the Tenant or other party delivering such Confirming Certificate in the event Buyer believes such Confirmed Undertaking is not true and, as a specifically bargained for allocation of risk and liability, Buyer hereby expressly waives and releases any and all rights and remedies Buyer may have against Seller on account of any breach or default of any Confirmed Undertaking to the extent such Confirmed Undertaking is confirmed by or consistent with such Confirming Certificate. Buyer agrees to first seek recovery under any applicable insurance policies, service contracts, warranties, guaranties and leases prior to seeking recovery from Seller. Seller shall not be liable to Buyer if Buyer's claim is satisfied from such insurance policies, service contracts, warranties, guaranties or leases and Buyer hereby waives any and all rights of subrogation with respect thereto. As a specifically bargained for allocation of risk and liability, Buyer hereby expressly waives and releases any and all rights and remedies Buyer may have on account of any breach or default of any of Seller's Undertakings to the extent (1) the aggregate liability of Seller on account of all such breaches and defaults exceeds Five Million Dollars (\$5,000,000); (2) the timely noticed and filed claims for all such breaches and defaults do not collectively aggregate more than One Hundred Thousand Dollars (\$100,000) (after which Buyer shall be entitled to recover the full amount of such timely noticed and filed claims, up to the limit provided in the foregoing clause (1)); or (3) Buyer's claim is satisfied from such insurance policies, service contracts, warranties, guaranties or leases.

(d) Disclaimer of Seller Representations and Warranties. Except as specifically stated in Paragraph 9(b), neither Seller, nor Seller's Investment Advisor, nor any of their respective

officers, directors, trustees, beneficiaries, members, retirants, employees, agents, attorneys or contractors thereof or therefor (individually and collectively, the "Seller Parties"), is making or shall be deemed to have made any express or implied representation or warranty of any kind or nature as to the Property or the Transactions contemplated in this Agreement, including, without limitation, (i) the financial status of the Property, including, without limitation, income or expenses generated, paid or incurred in connection with the Property, (ii) the nature, physical or environmental condition, safety or any other aspect of the Property or the Property's compliance with applicable laws, ordinances, rules and regulations, including, without limitation, zoning ordinances, building codes (including, without limitation, the Americans With Disabilities Act) and environmental, hazardous material, natural hazards and endangered species statutes, (iii) the accuracy or completeness of any information or data provided or to be provided by Seller Parties, including, without limitation, copies of any reports or documents prepared for Seller Parties whether by third parties or otherwise which may be included with such information, or (iv) any other matter relating to the Property or Seller. Without limiting the foregoing, Buyer hereby acknowledges that, except as expressly provided in Paragraph 9(b), the Property will be sold to Buyer "AS IS", "WHERE IS" and "WITH ALL FAULTS" and except for the express Seller representations and warranties contained in Paragraph 9(b) hereof, there are no representations and/or warranties, express or implied, made by Seller Parties in connection with the Transactions contemplated in this Agreement. Buyer acknowledges and agrees that (v) Buyer shall rely upon Buyer's own due diligence in determining whether the Property is suitable for purchase by Buyer; (vi) Buyer's failure to terminate this Agreement pursuant to Paragraph 3 shall be deemed Buyer's acknowledgement that Buyer has been given a reasonable opportunity to inspect and investigate the Property, including, without limitation, all Improvements, Personal Property, the Leases, the Operating Agreements, the other Intangibles and all aspects relating thereto, either independently or through agents and experts of Buyer's choosing; (vii) Buyer is acquiring the Property based exclusively upon Buyer's own investigations and inspections thereof; (viii) Seller has no obligation to repair or correct any facts, circumstances, conditions or defects or compensate Buyer therefor (subject to Paragraph 12(a), below); and (ix) by reason of all of the foregoing, Buyer shall assume the full risk of any loss or damage occasioned by any fact, circumstance, condition or defect pertaining to the Property (subject to Paragraph 13, below). Buyer further acknowledges that:

(i) Buyer has, or by the expiration of the Due Diligence Period will have, with the assistance of such experts as Buyer has deemed appropriate, made its own independent investigations and studies, including, without limitation, a physical and environmental inspection, with respect to the Property, the Transactions and all aspects thereof, including, without limitation, hazardous materials and endangered species, and it will be relying entirely thereon and on the advice of its counsel, advisers and consultants concerning the Transactions. Buyer is not relying and shall not rely on any investigation, study, projection or other information, economic, physical, environmental or otherwise, prepared by Seller Parties or any person or entity affiliated with Seller;

(ii) Buyer has, or by the expiration of the Due Diligence Period will have, with the assistance of such experts as Buyer has deemed appropriate, reviewed all instruments, records and documents concerning the Property, including, but not limited to, the

Leases and the Operating Agreements (collectively, the “Property Information”), which Buyer deems appropriate or advisable to review in connection with the Transactions;

(iii) Buyer has, or by the expiration of the Due Diligence Period will have, with the assistance of such experts as Buyer has deemed appropriate, examined and investigated the status of all circumstances concerning the zoning, land use controls, required permits, building code compliance, environmental, hazardous material and endangered species regulations and condition and other matters with respect to the Property. Seller makes no representation or warranty regarding the permitted use of the Property. In particular, Seller makes no representation or warranty that the Property may continue to be used for its present uses, that the Property complies with any ordinances, codes or regulations or were or are properly permitted, the condition of or rights to ingress, egress or access to and from the Property, or the condition of or any rights with respect to the water courses traversing the Property;

(iv) Buyer has, or by the expiration of the Due Diligence Period will have, with the assistance of such experts as Buyer has deemed appropriate, determined the assignability of any documents or agreements to be assigned hereunder, including, without limitation, the Leases and the Operating Agreements and all warranties, licenses and permits affecting the Property;

(v) Seller has made or will make available for Buyer’s inspection copies of certain studies, reports and other information in Seller’s possession applicable to the Property. By furnishing these materials neither Seller nor any Seller Party shall be deemed to have made any representation or warranty of any kind or nature whatsoever with respect to any matter set forth, contained or addressed in such materials, including, but not limited to, the accuracy, adequacy or completeness thereof. The Seller Parties shall incur no liability to Buyer by reason of furnishing any such information. Consequently, Buyer, for itself and its successors in interest, hereby releases the Seller Parties from, and waives all claims and liability against the Seller Parties for any and all statements or opinions now or hereafter made, or information now or hereafter furnished, by the Seller Parties to Buyer or its agents or representatives;

(vi) Section 25359.7 of the California Health and Safety Code requires owners of nonresidential property who know or have reasonable cause to believe that any release of hazardous substance has come to be located on or beneath real property to provide written notice of that condition to a buyer of such real property. There is a possibility that a release of a hazardous substance may have come to be located on or beneath the Property as described in any environmental report provided to or obtained by Buyer. By its execution of this Agreement, Buyer acknowledges its receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code;

(vii) “Natural Hazards” described in the following California Code Sections (the “Natural Hazard Laws”) may affect one or more of the Property: Government Code Section 8589.3 (Special Flood Hazard); Government Code Section 8589.5 (Potential Flooding); Government Code Sections 51178 and 51179 (Very High Fire Hazard Severity Zone); Public Resources Code Section 2622 (Earthquake Fault Zone); Public Resources Code Section 2696

(Seismic Hazard Zone); and Public Resources Code Section 4125 (Wildland Forest Fire Risks and Hazards). Buyer acknowledges and agrees that Buyer is an experienced real estate investor and is fully capable of determining whether any lists or maps delineating properties affected by such Natural Hazards are available and otherwise determining whether any such Natural Hazards affect any of the Property. Buyer further represents and warrants that Buyer has independently evaluated and investigated whether any or all of such Natural Hazards affect the Property. Based on the foregoing, Buyer knowingly and intentionally waives any disclosures, obligations or requirements of Seller with respect to Natural Hazards, including, without limitation, any disclosure obligations or requirements under the following California Code Sections: Government Code Sections 8589.3, 8589.4 and 51183.5 and Public Resources Code Sections 2621.9, 2694 and 4136 (the "Natural Hazard Disclosure Requirements"). Buyer acknowledges and agrees that this waiver has been specifically negotiated and is an essential aspect of the bargain between the parties; and

(viii) Without in any way limiting the effect of the prior paragraph, and purely as an accommodation without liability therefor, Seller and/or "Broker" (as hereinafter defined) has employed the services of the Title Company (the "Natural Hazard Expert") to examine the lists, maps and other information made available by government agencies with respect to the Natural Hazards and to report the result of its examination in writing. Buyer acknowledges receipt of a Natural Hazard Disclosure Statement in the form provided in California Civil Code Section 1103.2(a) to which the National Hazard Expert's written report (the "Natural Hazards Report") has been attached. Buyer agrees that, if for any reason the provisions of the prior paragraph are not given full force and effect, said Natural Hazard Disclosure Statement and the Natural Hazards Report attached thereto fully and completely discharges Seller from its disclosure obligations under the Natural Hazard Disclosure Requirements. For the purpose of this Agreement, the provisions of Civil Code Section 1102.4 regarding the non-liability of Seller for errors or omissions not within its personal knowledge shall be deemed to apply. Buyer agrees that the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise, with respect to the examination and Natural Hazards Report referred to above and that the Natural Hazard Disclosure Statement and Natural Hazards Report shall be deemed to have been provided to Buyer at Buyer's request.

(e) Release. Except as expressly provided in Paragraph 9(b), upon Closing, Buyer shall assume the risk that adverse matters, including, but not limited to, construction defects, adverse physical, environmental, hazardous materials, endangered species, zoning, access or water course issues or conditions, may not have been revealed by Buyer's investigations. Buyer releases all Seller Parties from, and waives any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses) of any and every kind or character, known or unknown, for, arising out of, or attributable to, the Property Information or any latent or patent issue or condition at the Property, including, without limitation, claims, liabilities and contribution rights relating to the presence, discovery or removal of any hazardous materials in, at, about or under the Property, or for, connected with or arising out of any and all claims or causes of action based thereon; provided that the release provided herein shall not apply to (i) a claim by Buyer against Seller in accordance with Paragraph 9(c) of this Agreement for Seller's breach of its representations and warranties set forth in this Agreement that expressly survive Closing or (ii) fraud by Seller. For purposes of this Agreement, the term "hazardous material" shall mean any

substance, chemical, waste or material that is or becomes regulated by any federal, state or local governmental authority because of its toxicity, infectiousness, radioactivity, explosiveness, ignitability, corrosiveness or reactivity, including, without limitation, asbestos or asbestos containing material, the group of compounds known as polychlorinated biphenyls, flammable explosives, oil, petroleum or any refined petroleum product, fungi or bacterial matter which reproduces through the release of spores or the splitting of cells, including, without limitation, mold, mildew and viruses, whether or not living. It is the intention of the parties that the foregoing release shall be effective with respect to all matters, past and present, known and unknown, suspected and unsuspected. Buyer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to losses, damages, liabilities, costs and expenses which are presently unknown, unanticipated and unsuspected, and Buyer further agrees that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Buyer nevertheless hereby intends to release, discharge and acquit all Seller Parties from any such unknown losses, damages, liabilities, costs and expenses. In furtherance of this intention, Buyer hereby expressly waives any and all rights and benefits conferred upon it by the provisions of California Civil Code Section 1542, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

Buyer acknowledges that the foregoing acknowledgments, releases and waivers, including, without limitation, the waiver of the provisions of California Civil Code Section 1542, were expressly bargained for.

10. Remedies.

(a) **REMEDIES FOR BUYER'S BREACH. IN THE EVENT THE SALE OF THE PROPERTY IS NOT CONSUMMATED BECAUSE OF A DEFAULT UNDER OR BREACH OF THIS AGREEMENT ON THE PART OF BUYER, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICABLE AND EXTREMELY DIFFICULT TO FIX THE ACTUAL DAMAGE TO SELLER. BUYER AND SELLER THEREFORE AGREE THAT, IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF BUYER'S BREACH OR DEFAULT, THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF SELLER'S DAMAGES AND THAT SELLER SHALL BE ENTITLED TO SAID SUM AS LIQUIDATED DAMAGES, WHICH SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY, EITHER AT LAW OR IN EQUITY, AND IN NO EVENT SHALL BUYER BE LIABLE FOR LOSS OF BARGAIN, SPECIAL, PUNITIVE, COMPENSATORY OR CONSEQUENTIAL DAMAGES AS A RESULT THEREOF. IN SUCH EVENT, THE ESCROW HOLDER SHALL, UPON WRITTEN DEMAND BY SELLER WITHOUT JOINDER OF BUYER, IMMEDIATELY DELIVER THE DEPOSIT TO SELLER IN CASH OR OTHER IMMEDIATELY AVAILABLE FUNDS. THE PAYMENT OF SUCH AMOUNT**

AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. THE FOREGOING DOES NOT LIMIT BUYER'S LIABILITY UNDER ANY INDEMNITY OR OTHER PROVISION OF THIS AGREEMENT WHICH BY ITS TERMS SURVIVES A TERMINATION OF THIS AGREEMENT OR IS TO BE PERFORMED AFTER CLOSING. TO SIGNIFY THEIR AWARENESS AND AGREEMENT TO BE BOUND BY THE TERMS AND PROVISIONS OF THIS PARAGRAPH 10(a), BUYER AND SELLER HAVE SEPARATELY INITIALED THIS PARAGRAPH.

SELLER INITIALS: /s/ MC BUYER INITIALS: /s/ HS

(b) Remedies for Seller's Breach. In the event the sale of the Property is not consummated because of default under or breach of this Agreement on the part of Seller, Buyer shall have the option, as its sole and exclusive remedy at law or in equity, to either (i) terminate this Agreement by delivery of written notice of termination to Seller, whereupon the Deposit shall be returned to Buyer, Seller shall reimburse Buyer for Buyer's actual out-of-pocket third-party costs and expenses in connection with its investigation of the Property in an amount not to exceed Seventy-Five Thousand Dollars (\$75,000) in the aggregate, and Buyer shall provide invoices to Seller reflecting such costs and expenses, and Buyer and Seller shall each be released from all other liability hereunder (except for those provisions which recite that they survive termination); or (ii) continue this Agreement and seek the equitable remedy of specific performance. The foregoing options are mutually exclusive and are the exclusive rights and remedies available to Buyer at law or in equity in the event the sale of the Property is not consummated because of Seller's default under or breach of this Agreement. Buyer hereby waives any and all rights it may now or hereafter have to pursue any other remedy or recover any other damages on account of any such breach or default by Seller, including, without limitation, loss of bargain, special, punitive, compensatory or consequential damages. Buyer shall be deemed to have elected its remedy under clause (i) of this Paragraph 10(b) if Buyer fails to file suit for specific performance against Seller in a court having jurisdiction in the county and state in which the Property is located, on or before thirty (30) days following the date upon which Closing was to have occurred.

(c) Survival of Indemnities. Notwithstanding Paragraphs 10(a) and 10(b), in no event shall the provisions of this Paragraph 10 limit the damages recoverable by either party against the other party due to any indemnity obligation expressly set forth in this Agreement.

11. Buyer's Obligations Pending Closing. Buyer shall not attempt to terminate, supplement, amend or modify in any way any matters affecting the Property prior to the Closing. In addition, Buyer shall not file or cause to be filed any application or request with any governmental or quasi-governmental agency prior to Closing which would or could lead to a hearing before any governmental or quasi-governmental agency or which would or could lead to any change in zoning, parcelization, licenses, permits or other entitlements or any other investigation or restriction on the use of the Property, or any part thereof.

12. Seller's Obligations Pending Closing.

(a) Subject to the provisions of Paragraphs 13 and 14 hereof, and except to the extent that such maintenance is the obligation of any tenant under the Leases, until Closing, Seller shall maintain the Property in its condition existing on the Effective Date, normal wear and tear excepted. Prior to Closing, Seller shall also maintain its existing fire and extended coverage insurance, if any, with respect to the Property and continue to operate the Property in the manner operated as of the Effective Date.

(b) Following the Effective Date and prior to the day that is two (2) business days prior to the expiration of the Due Diligence Period, Seller shall give Buyer prompt written notice, and, to the extent available, copies, of any new, or the modification or termination of any existing, Lease, Operating Agreement or other agreement entered into by Seller affecting the Property. From and after the day that is two (2) business days prior to the expiration of the Due Diligence Period, Seller shall not enter into any new, or the modification or termination of any existing, Lease, Operating Agreement or other agreement affecting the Property without first obtaining Buyer's written approval thereof, which approval shall be in Buyer's sole discretion; provided, however, that Buyer's approval shall not be required for, Buyer shall have no right to terminate or modify this Agreement on account of, and Seller's only duty shall be to give Buyer prompt written notice of, any Lease, Operating Agreement or other agreement affecting the Property renewal, extension, modification or termination required as a matter of right by the other party thereto pursuant to any existing Lease, Operating Agreement or other agreement affecting the Property. If Buyer fails to deliver written notice to Seller setting forth Buyer's objections to any such matter within three (3) days after Buyer's receipt of written notice thereof, Buyer shall be conclusively deemed to have approved such matters.

13. Damage or Destruction. If any of the Improvements are damaged or destroyed prior to Closing and no Tenant(s) of all or a portion of the Property is obligated by the terms of the Lease(s) to repair such damage or destruction, then, by delivering written notice to Seller within three (3) days after Buyer's receipt of written notice of such damage or destruction and Seller's reasonable estimate of the costs of repair, Buyer may elect to either (a) terminate this Agreement, or (b) elect to continue this Agreement in full force and effect, in which case Seller shall assign to Buyer at Closing any and all proceeds and/or claims under any applicable insurance coverage and afford Buyer a credit at Closing for any applicable insurance deductible (but only if and to the extent such deductible is not any Tenant's responsibility under any Lease), and Buyer shall take title to the Property subject to such damage and destruction; provided, however, that in the event the cost to repair any such damage or destruction is reasonably estimated by Seller to be less than Two Million Dollars (\$2,000,000), then Buyer shall have no right to terminate this Agreement, Seller shall assign to Buyer at Closing any and all proceeds and/or claims under any applicable insurance coverage and afford Buyer a credit at Closing for the uninsured portion of any such claim and any applicable insurance deductible (but only if and to the extent such deductible is not any Tenant's responsibility under any Lease), and Buyer shall take title to the Property subject to such damage and destruction. If Buyer fails to deliver written notice to Seller of Buyer's election within the time period specified in this Paragraph 13, Buyer shall be deemed to have elected alternative (b) above. If Buyer properly delivers written notice to Seller within the time period specified in this Paragraph 13 electing alternative (a) above, and provided Buyer is not in breach or default under this Agreement, the Escrow shall be canceled, all parties hereto shall be released from further performance of this Agreement (with the exception of those provisions or paragraphs

which survive termination of this Agreement by their terms), and Escrow Holder shall return to Buyer all or any portion of the Deposit deposited with Escrow Holder (except for the portion constituting the Independent Consideration) and shall return to each party any and all documents which such party had deposited with it.

14. Eminent Domain. If, at any time prior to the Closing, legal proceedings under power of eminent domain are commenced with respect to all or any portion of the Property, then by delivering written notice to Seller within three (3) days after Buyer's receipt of written notice of such pending condemnation, Buyer may elect to either (a) terminate this Agreement, or (b) continue this Agreement in full force and effect and Seller shall assign to Buyer at the Closing any and all proceeds and/or claims on account of such condemnation proceedings, and Buyer shall take title to the Property subject to such condemnation proceedings; provided, however, that in the event the value of the Property or portion thereof to be taken is reasonably estimated by Seller to be less than Two Million Dollars (\$2,000,000), then Buyer shall have no right to terminate this Agreement, Seller shall assign to Buyer any and all proceeds and/or claims on account of such condemnation proceedings, and Buyer shall take title to the Property subject to such condemnation proceedings. If Buyer fails to deliver written notice to Seller of Buyer's election within the time period specified in this Paragraph 14, Buyer shall be deemed to have elected alternative (b) above. If Buyer properly delivers written notice to Seller within the time period specified in this Paragraph 14 electing alternative (a) above, and provided Buyer is not in breach or default under this Agreement, the Escrow shall be canceled, all parties hereto shall be released from further performance of this Agreement (with the exception of those provisions or paragraphs which recite that they survive termination of this Agreement), and Escrow Holder shall return to Buyer all or any portion of the Deposit deposited with Escrow Holder (except for the portion constituting the Independent Consideration) and shall return to each party any and all documents which such party had deposited with it.

15. Commissions. Neither Seller nor Buyer has had any contact or dealings regarding the Property, or any communication in connection with the subject matter of the Transactions, through any real estate broker or other person who can claim a right to a commission or finder's fee in connection with the sale contemplated herein other than Cushman & Wakefield (the "Broker"). If, and only if, the Closing occurs, Seller will pay a commission to the Broker in connection with the Transactions pursuant to a separate written agreement between Seller and Broker (the "Commission Agreement"). In the event of any claim for broker's or finder's fees or similar commissions in connection with the negotiation, execution or consummation of this Agreement other than pursuant to the Commission Agreement, Buyer shall indemnify, defend and hold harmless Seller and the Seller Parties from and against any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Buyer, and Seller shall indemnify, defend and hold harmless Buyer from and against any and all liability, claims, demands, damages and costs (including attorneys' fees and expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Seller. Buyer has disclosed to Seller that one or more members or principals of Buyer are real estate brokers licensed in the State of California, including Howard Schwimmer (License #0122265), and Buyer agrees that it is solely responsible for any payment, commission or finder's fee, if any, due to such members or principals of Buyer in connection with the sale of the Property

and that the foregoing indemnity shall apply in connection with any such payment, commission or finder's fee. The provisions of this Paragraph 15 shall survive termination of this Agreement.

16. Publicity and Confidentiality. Buyer and Seller each agree that the terms of the Transactions, the identities of Buyer and Seller, and all information made available by one party to the other or in any way relating to the other party's interest in the Transactions, shall be maintained in strict confidence and no disclosure of such information will be made, whether or not the Transaction shall close, except to such attorneys, accountants, investment advisors, lenders and others as are reasonably required to evaluate and consummate the Transactions or to enforce their rights hereunder, and subject to the provisions of Paragraphs 16(a) and 16(b) below. Buyer and Seller each further agree and covenant as follows:

(a) Neither Buyer nor Seller shall disclose or authorize the disclosure of the terms of this Agreement or any instruments, documents, or assignments delivered in connection with this Agreement, or the identity of the other party to this Agreement in any public statement, news release, or other announcement or publication, provided that, following the Closing, Buyer shall be entitled to issue press releases disclosing that the Transactions have occurred, provided that such press releases are approved in advance by Seller's Investment Advisor, which approval may be withheld in Seller's Investment Advisor's sole discretion.

(b) Nothing in this Paragraph 16 shall prevent either Buyer or Seller from disclosing any information otherwise deemed confidential under this Agreement (i) in connection with that party's enforcement of its rights hereunder; (ii) pursuant to any legal requirement, any statutory reporting requirement or any accounting or auditing disclosure requirement; (iii) in connection with performance by either party of its obligations under this Agreement (including, but not limited to, the delivery and recordation of instruments, notices or other documents required hereunder); or (iv) to current or potential investors, participants or assignees in or of the transaction contemplated by this Agreement or such party's rights therein. The provisions of this Paragraph 16 shall survive termination of this Agreement and the Closing.

17. Exculpation. No present or future officer, director, employee, trustee, member, retirant, beneficiary, internal investment contractor or agent of Seller shall have any personal liability, directly or indirectly, and recourse shall not be had against any such officer, director, employee, trustee, member retirant, beneficiary, internal investment contractor or agent, under or in connection with this Agreement or any other document or instrument heretofore or hereafter executed in connection with this Agreement either before or after Closing. Buyer hereby waives and releases any and all such personal liability and recourse. In addition, Buyer acknowledges and agrees that prior to Closing Buyer and all other persons dealing with Seller must look solely to Seller's interest in the Property for the enforcement of any claims against or liability of Seller, and after Closing Buyer and all other persons dealing with Seller shall be limited to the amount of the Purchase Price for the enforcement of any claims against or liability of Seller, to the extent such claims are not otherwise limited in this Agreement. The limitations of liability provided in this Paragraph 17 are in addition to, and not in limitation of, any limitation on liability provided for elsewhere in this Agreement or provided by law or in any other contract, agreement or instrument.

18. Execution of Documents by Seller. Buyer understands that for administrative reasons Seller requires up to three (3) business days to sign any document and an additional two (2) business days to deliver such document into Escrow. All documents requiring execution by Seller shall be agreed upon and prepared in final execution form and received by Seller to allow for compliance with the foregoing schedule. In the event any of the foregoing conditions are not complied with in accordance with the foregoing schedule, the Closing shall be automatically extended by the number of days necessary to allow Seller the time periods set forth above for the execution and delivery of documents. Documents that may be executed on Seller's behalf by Seller's Investment Advisor and delivered by facsimile or email, which are, therefore, not subject to the time periods provided for in this Paragraph 18, include the Closing Statement, owner's affidavit, gap indemnity and similar title documents, if any, any extension of the Due Diligence Period or the Closing Date (which extension may contemplate Buyer's delivery of an additional deposit into Escrow), any amendment which contemplates an increase in the Purchase Price, and any amendment or other response to Buyer's due diligence items or title objections (which may contemplate additional conditions to closing).

19. Sophistication of the Parties. Buyer and Seller are sophisticated in the buying and selling of income producing property similar to the Property and each has engaged its own sophisticated real estate counsel and advisors. Buyer and Seller each has knowledge and experience in financial and business matters to enable them each to evaluate the merits and risks of the Transactions contemplated hereby. Neither Buyer nor Seller is in a disparate bargaining position with respect to the other. The provisions of this Agreement shall be construed as to their fair meaning, and not for or against any party based upon any attribution to such party as the source of the language in question.

20. Notice. Any notice or other communication required or permitted to be given under this Agreement, or by law, shall be in writing and either (a) personally delivered, (b) sent by United States mail, registered or certified, or express mail, postage prepaid, return receipt requested, (c) sent by any nationally-recognized overnight courier service that provides receipted delivery service, delivery charges prepaid, return receipt requested, or (d) sent by telecopy facsimile with confirmation of delivery; and each such notice or communication shall be deemed to have been duly given or made as of the following date: (i) if delivered personally by courier or otherwise, then as of the date delivered or if delivery is refused, then as of the date presented; (ii) if sent or mailed by certified United States mail, return receipt requested, or by Federal Express, Express Mail or other mail or courier service, then as of the date received; or (iii) if sent by facsimile, then either (A) as of the date on which the appropriate electronic confirmation of receipt is received by the sending party at or before 5:00 p.m. (receiver's time) on any business day, or (B) as of the next business day if the time of the appropriate electronic confirmation of receipt received by the sending party is after 5:00 p.m. (receiver's time) or is not a business day. All such communications shall be addressed as follows (which address(es) for a party may be changed by that party from time to time by written notice to the other parties in the manner aforesaid). No such communications to a party shall be effective unless and until deemed received at all address(es) for such party. The attorneys for any party hereto shall be entitled to provide any notice that a party desires to provide or is required to provide hereunder. E-mail addresses, if included, are for convenience only. No notice, approval, consent, demand or other communication delivered by e-mail shall be of any force or effect unless and until also delivered in a manner otherwise authorized

by this Paragraph 20. E-mail addresses, if included, are for convenience only, except as hereinafter expressly provided. No notice, request for approval or consent, demand or other communication delivered by e-mail shall be of any force or effect unless on its face it clearly states that it is intended to constitute a formal notice, approval, consent, demand or other communication under this Agreement, and such e-mail notice shall be deemed to have been duly given or made either (x) as of the date on which the appropriate electronic confirmation of receipt is received by the sending party at or before 5:00 p.m. (receiver's time) on any business day, or (y) as of the next business day if the time of the appropriate electronic confirmation of receipt received by the sending party is after 5:00 p.m. (receiver's time) or is not a business day.

If to Buyer:

Rexford Industrial Realty, L.P.
11620 Wilshire Boulevard, Suite 1000
Los Angeles, California 90025
Attention: Howard Schwimmer and David Lanzer
Phone: (310) 966-1680
Fax: (310) 966-1690
E-mail: HowardS@rexfordindustrial.com
DLanzer@rexfordindustrial.com

With a copy to:

Greenberg Glusker Fields Claman & Machtinger LLP
1900 Avenue of the Stars, 21st Floor
Los Angeles, California 90067
Attention: Kenneth S. Fields, Esq.
Phone: (310) 201-7462
Fax: (310) 201-2376
E-mail: KFields@greenbergglusker.com

If to Seller:

CSHV Rancho Pacifica, LLC
c/o California State Teachers' Retirement System
100 Waterfront Place, 15th Floor
West Sacramento, California 95605-2807
Attention: CalSTRS - Lamont T. King, Jr., Legal Office
Phone: (916) 414-1730
Fax: (916) 414-1723
E-mail: lking@calstrs.com

And

Attention: Henry J. Thomas
Phone: (916) 414-7975
Fax: (916) 414-7984
E-mail: hthomas@calstrs.com

With a copy to:

CBRE Global Investors, LLC
515 South Flower Street, 31st Floor
Los Angeles, California 90071
Attention: Anthony Ecker
Phone: (213) 683-4345
Fax: (213) 683-43041
E-mail: tony.ecker@cbreglobalinvestors.com

And a copy to:

Cox, Castle & Nicholson LLP
2029 Century Park East, Suite 2100
Los Angeles, California 90067
Attention: Amy H. Wells, Esq.
Phone: (310) 284-2233
Fax: (310) 284-2100
E-mail: awells@coxcastle.com

And

Attention: Ryan E. Dosh, Esq.
Phone: (310) 284-2147
Fax: (310) 284-2100
E-mail: rdosh@coxcastle.com

If to Title Company:

First American Title Insurance Company

National Commercial Services
777 South Figueroa Street, 4th Floor
Los Angeles, California 90017
Attention: Maurice Neri
Bobby Hatfield
Phone: (213) 271-1737
(949) 584-4542
Fax: (714) 361-3603
E-mail: mneri@firstam.com
bhatfield@firstam.com

If to Escrow Holder:

First American Title Insurance Company
National Commercial Services
777 South Figueroa Street, 4th Floor
Los Angeles, California 90017
Attention: Maurice Neri
Phone: (213) 271-1737
Fax: (714) 361-3603
E-mail: mneri@firstam.com

21. Miscellaneous.

(a) Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs and administrators.

Except pursuant to this Paragraph 21(a), neither Buyer nor Seller shall assign its right, title or interest in or to this Agreement. Notwithstanding the foregoing, Buyer and Seller may assign all right, title or interest in or to this Agreement to an entity which controls, is controlled by or is under common control with the assignor; provided that to be effective, any such assignment must be in writing, must contain an express assumption by the assignee of the assignor's duties, obligations and liabilities under this Agreement and the identity of the assignee must be provided to the other party at least ten (10) business days prior to Closing, and provided further that in the event of any such assignment, the assignor shall not be released from any of its duties, obligations or liabilities under this Agreement. Without limiting and notwithstanding the above, in no event shall a party have the right to assign its right, title or interest in or to this Agreement to any party which could not make the representations and warranties set forth in Paragraph 9(a) (with respect to Buyer) and Paragraph 9(b) (with respect to Seller), above.

(b) Amendments. This Agreement may be amended or modified only by a written instrument executed by Seller and Buyer.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of California without reference to choice of law principles which might indicate that the law of some other jurisdiction should apply.

(d) Interpretation. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof. Whenever the context hereof shall so require, the singular shall include the plural, the male gender shall include the female gender and the neuter, and vice versa. This Agreement shall not be construed against either Buyer or Seller but shall be construed as a whole, in accordance with its fair meaning, and as if prepared by Buyer and Seller jointly.

(e) No Obligation to Third Parties. Except to Seller Parties as expressly set forth in this Agreement, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate either of the parties hereto to, any person or entity not a party to this Agreement.

(f) Further Assurances. Each of the parties shall execute such other and further documents and do such further acts as may be reasonably required to effectuate the intent of the parties and carry out the terms of this Agreement.

(g) Merger of Prior Agreements. This Agreement and the schedules and exhibits hereto, together with that certain Property Access and Indemnity Agreement, executed by Buyer, constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof, including, without limitation, any letter of intent, which shall be of no further force or effect upon execution of this Agreement by Buyer and Seller.

(h) Enforcement. In the event a dispute arises concerning the performance, meaning or interpretation of any provision of this Agreement or any document executed in connection with this Agreement, the prevailing party in such dispute shall be awarded any and all costs and expenses incurred by the prevailing party in enforcing, defending or establishing its

rights hereunder or thereunder, including, without limitation, court costs and attorneys' fees. In addition to the foregoing award of costs and fees, the prevailing party shall also be entitled to recover its attorneys' fees incurred in any post judgment proceedings to collect or enforce any judgment. This provision is separate and several and shall survive the merger of this Agreement or any such other document into any judgment on this Agreement or such document.

(i) Time. Time is of the essence of this Agreement. For purposes of this Agreement "business day" shall mean any day other than a Saturday, Sunday, California State or national holiday or other day on which commercial bankers in California are generally not open for business. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run to and include the next day which is a business day, except with respect to the Closing Date, in which event the period shall run to and occur the second next day which is a business day. All references to a particular time of day shall refer to the time zone in which the Property is located.

(j) Severability. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

(k) No Waiver. No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Agreement or under any other instrument or document given in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and executed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

(l) Legal Representation. Each party has been represented by legal counsel in connection with the negotiation of the transactions herein contemplated and the drafting and negotiation of this Agreement. Each party and its counsel have had an opportunity to review and suggest revisions to the language of this Agreement. Accordingly, no provision of this Agreement shall be construed for or against or interpreted to the benefit or disadvantage of any party by reason of any party having or being deemed to have structured or drafted such provision.

(m) Schedules and Exhibits. All references in this Agreement to exhibits and schedules shall, unless otherwise expressly provided, be deemed to be references to the exhibits and schedules attached to this Agreement. All such exhibits and schedules attached hereto are incorporated into this Agreement as though fully set forth herein.

(n) Intentionally Omitted.

(o) Indemnity. The following provisions govern actions for indemnity under this Agreement or any document or instrument executed pursuant to this Agreement. The

indemnitor shall be responsible for any costs, expenses, judgments, damages, liability and losses incurred by the indemnitee with respect to any and all indemnified claims, and the indemnitor, at the indemnitor's sole cost and expense, shall assume the defense of any and all indemnified claims, with counsel reasonably acceptable to the indemnitee; provided, however, that an indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnitor, if the indemnitee reasonably believes that representation of such indemnitee by the counsel retained by the indemnitor would be inappropriate due to actual or potential conflicting interests between such indemnitee and any other party represented in such proceeding by counsel retained by the indemnitor. Any delay by the indemnitee in delivering written notice to the indemnitor after indemnitee receives notice of an indemnified claim shall not relieve the indemnitor of any liability to the indemnitee unless, and then only to the extent that, such delay is actually prejudicial to the indemnitor's ability to defend such action, and the failure to deliver written notice to the indemnitor will not relieve the indemnitor of any other liability that it may have to any indemnitee. The settlement of a claim without the prior written consent of the indemnitor shall not release the indemnitor from liability with respect to such claim if the indemnitor has unreasonably withheld consent to such settlement or has failed to provide or pay for a defense thereof as provided herein. All fees, costs and expenses to be paid by indemnitor hereunder shall be made on a "paid as incurred" basis within thirty (30) days of the indemnitor's receipt of a statement or invoice therefor. Should the indemnitor object to any such fees, costs or expenses the indemnitor shall nevertheless pay such fees, costs and expenses within said thirty (30) days which payment, if expressly stated in writing at the time of such payment to be "under protest", shall not prejudice the indemnitor's right to subsequently object to such fee, cost or expense paid under protest.

(p) Signer's Warranty. Each individual executing this Agreement on behalf of an entity hereby represents and warrants to the other party or parties to this Agreement that (i) such individual has been duly and validly authorized to execute and deliver this Agreement and any and all other documents contemplated by this Agreement on behalf of such entity; and (ii) this Agreement and all documents executed by such individual on behalf of such entity pursuant to this Agreement are and will be duly authorized, executed and delivered by such entity and are and will be legal, valid and binding obligations of such entity, provided that such individual shall not incur any personal liability in connection with this Paragraph 21(p).

(q) No Offer or Binding Contract. The parties hereto agree that the submission of an unexecuted copy or counterpart of this Agreement by one party to another is not intended by either party to be, or be deemed to be a legally binding contract or an offer to enter into a legally binding contract. The parties shall be legally bound pursuant to the terms of this Agreement only if and when the parties have been able to negotiate all of the terms and provisions of this Agreement in a manner acceptable to each of the parties in their respective sole discretion, and both Seller and Buyer have fully executed and delivered this Agreement.

(r) Counterparts. This Agreement, and any document executed in connection with this Agreement, may be executed in any number of counterparts each of which shall be deemed an original and all of which shall constitute one and the same agreement with the same effect as if all parties had signed the same signature page. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on a single counterpart, but it shall be sufficient that the signature of, or on behalf of,

each party, appear on one or more of the counterparts. Any signature page of this Agreement, and any document executed in connection with this Agreement, may be detached from any counterpart of this Agreement or such other document and reattached to any other counterpart of this Agreement or such other document identical in form hereto or thereto but having attached to it one or more additional signature pages. This Agreement, and any document executed in connection with this Agreement (except for the Deed or any other document to be recorded), shall be deemed executed and delivered upon each party's delivery of executed signature pages of this Agreement or such other document, which signature pages may be delivered by facsimile or electronic mail with the same effect as delivery of the originals. The original of any such document executed in counterparts shall be delivered promptly following the execution thereof.

(s) Survival. Whether or not expressly so stated elsewhere in this Agreement, the following provisions of this Agreement shall survive Closing and shall not be merged into the execution, delivery or recording of the Deed: Paragraphs 4(b), 4(f), 5(c), 5(d), 8(a), 8(i), 8(j), 9(c), 9(d), 9(e), 15, 16, 17, 19, 20 and 21. All other terms and provisions of this Agreement shall merge with and terminate upon recordation of the Deed.

(t) 1031 Exchange. Seller acknowledges that Buyer may engage in a tax-deferred exchange (the "Exchange") pursuant to Section 1031 of the Code with respect to Buyer's acquisition of the Property. As an accommodation to Buyer, Seller agrees to cooperate with Buyer in connection with the Exchange, and hereby consents to the assignment of this Agreement to the qualified intermediary, but only on the condition that (i) the Exchange shall not delay Closing, (ii) the consummation or accomplishment of the Exchange shall not be a condition precedent or condition subsequent to Buyer's obligations under this Agreement, (iii) Seller shall have no obligation to take title to any property in connection with the Exchange, (iv) Seller shall not be required to incur any obligations or liabilities in connection with the Exchange, (v) Buyer shall not be released of its obligations under this Agreement as a result of the Exchange, (vi) Buyer shall provide notice to Seller of the Exchange at least ten (10) business days prior to Closing, and (vii) Buyer shall reimburse Seller for Seller's reasonable costs and expenses, if any, incurred in connection with the Exchange. Seller shall have no obligation to execute any documents or to undertake any action by which Seller would or might incur any liability or obligation not otherwise provided for in the other provisions of this Agreement. Buyer shall indemnify and defend Seller and hold Seller harmless from and against any and all claims, damages, liabilities, losses, costs and expenses, including, without limitation, attorneys' fees and costs, arising out of or in any way connected with the Exchange.

(u) SEC Reporting Requirements. Buyer has advised Seller that Buyer may be required to make certain filings with the Securities and Exchange Commission (the "SEC Filings") that relate to the most recent preacquisition fiscal year and the current fiscal year through the Closing Date. In connection therewith, Seller agrees to provide to Buyer and Buyer's Representatives access to those items set forth on Exhibit K attached hereto (the "SEC Filing Information") promptly following the Effective Date and no later than July 7, 2017; provided, however, that (i) nothing herein shall require Seller to conduct its own audits, generate or provide access to any requested materials that are not in the possession of Seller's Investment Advisor or disclose any Confidential Information, (ii) the provisions of the foregoing information shall be for informational purposes only, shall not be deemed to be representations or warranties of Seller

under this Agreement, and shall not expose Seller to any liability on account thereof whatsoever, including any liability to Buyer, the Securities and Exchange Commission or anyone claiming by, through or under Buyer for the integrity or accuracy of the materials provided pursuant to this Paragraph 21(u), and (iii) Seller's obligation to deliver the SEC Filing Information shall survive the Closing for a period of six (6) months. Buyer hereby agrees to reimburse Seller for those reasonable third-party, out-of-pocket costs and expenses that Seller incurs (inclusive of the costs of any agents or consultants of Seller, including, without limitation, reimbursement of time spent by employees of such parties in connection therewith at such employees' hourly rates) in order to comply with the foregoing requirement, and the cost of performing the SEC Filings and audit shall be solely the responsibility, obligation and liability of Buyer. Neither Buyer nor anyone claiming by, through or under Buyer (including, without limitation, the Buyer Representatives and Buyer's accountants, auditors and investors) shall use the SEC Filing Information, audit or results of the audit to make a claim against or seek damages from Seller or any Seller Parties in connection with an alleged breach of this Agreement or otherwise. Buyer shall indemnify, defend and hold Seller and Seller Parties harmless from any and all claims, damages, liabilities, losses, costs and expenses, including, without limitation, attorneys' fees and costs, arising out of or in any way connected to the SEC Filings. The indemnity and related obligations of Buyer set forth in this Paragraph 21(u) shall survive the Closing for the statute of limitations period applicable to such claim.

[Remainder of page intentionally left blank,

signatures commence on following page]

[Signature Page to Purchase and Sale Agreement and Joint Escrow Instructions]

IN WITNESS WHEREOF, Buyer and Seller have executed and delivered this Agreement as of the Effective Date.

“Seller”

CSHV RANCHO PACIFICA, LLC,
a Delaware limited liability company

By: California State Teachers’ Retirement
System, a public entity, its sole member

By: /s/ Michelle Cunningham

Michelle Cunningham, CFA
Deputy Chief Investment Office
(Print Name and Title)

“Buyer”

REXFORD INDUSTRIAL REALTY, L.P.,
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation,
its General Partner

By: /s/ Howard Schwimmer

Name: Howard Schwimmer

Its: Co-CEO

[Signatures continue on following page]

[Signature Page to Purchase and Sale Agreement and Joint Escrow Instructions]

First American Title Insurance Company agrees to act as Escrow Holder in accordance with the terms of this Agreement, and to comply with the terms and provisions of this Agreement. First American Title Insurance Company agrees to comply with all reporting requirements of Section 6045 of the United States Internal Revenue Code and the regulations promulgated thereunder.

First American Title Insurance Company

By: /s/ Maurice Neri

Maurice Neri, AVP

(Print Name and Title)

[End of signatures]

EXHIBIT A

LEGAL DESCRIPTION

Parcel 1-A:

Parcel 1 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map recorded in Book 204 Pages 34 through 37 inclusive of Maps, in the office of the County Recorder of said County.

EXCEPT therefrom all oil, minerals, natural gas, and other hydrocarbons by whatsoever name known that may be within or under the herein conveyed Parcel of Land, and the rights thereto, together with certain other conditions, as excepted and reserved in deed (State Parcel 12000) to the State of California recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said office.

Parcel 1-B:

A perpetual easements appurtenant to Parcel 1 of Parcel Map 17994 for ingress, egress, drainage, public utility, and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (private and future street), EXCEPT THEREFROM any portion lying within Parcel 1 of said Parcel Map 17994 as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1665900 Official Records.

Parcel 1-C:

A perpetual easement appurtenant to Parcel 1 of Parcel Map 17994 for ingress and egress purposes within Parcel No. 2 as shown on said Parcel Map No. 17994, over and along a strip of land 13.00 feet in width, the Westerly line thereof being described as follows:

Beginning at the most Southerly Southwest corner of said Parcel No. 2; thence North 25° 22' 34" West 55.00 feet; thence North 4° 03' 09" West 1,222.00 feet.

EXCEPT therefrom that portion thereof within Pacifica Place (private and future street), as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1665900 Official Records.

Parcel 1-D:

A perpetual easement appurtenant to Parcel 1 of Parcel Map 17994, for ingress and egress purposes within Parcel No. 8 as shown on said Parcel Map No. 17994, over and along two strips of land described as follows:

Strip No. 1:

A strip of land 30.00 feet in width, the centerline of said strip of land being described as follows:

Beginning at the most Easterly Southeast corner of said Parcel No. 1; thence South 89° 57' 49" West along the Westerly prolongation of that certain line in the Northerly boundary of said Parcel 8 shown on said map as having a bearing and distance of "North 89° 57' 49" East 255.77 feet", 24.00 feet to the true point of beginning; thence South 33° 18' 40" West 92.78 feet to a point in a line parallel with and distant 258.50 feet Northerly of the Southerly line of said Parcel No. 8, said point hereinafter referred to as Point "A".

Strip No. 2:

A strip of land 26.00 feet in width, the centerline of said strip of land being described as follows:

Beginning at said Point "A"; thence South 89° 57' 49" West, along said parallel line, 383.48 feet to the Northwesterly boundary of said Parcel No. 8.

The side lines of said strips of land shall be shortened or extended to terminate in each other, in the Northwesterly and Northerly boundary of said Parcel No. 8 and in the Southwesterly line of Pacifica Place (private and future street) as created pursuant to recordation of Parcel Map 17994.

Parcel 2-A:

Parcel 2 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map recorded in Book 204 Pages 34 through 37 inclusive of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom all oil, minerals, natural gas, and other hydrocarbons by whatsoever name known that may be within or under the herein conveyed parcel of land, and the rights thereto, together with certain other conditions, as excepted and reserved in deed (State Parcel 12000) to the State of California recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said Office.

Parcel 2-B:

Perpetual easements appurtenant to Parcel 2 of Parcel Map 17994 for ingress, egress, drainage, public utilities and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (private and future street), except therefrom any portion lying within Parcel 2 of said Parcel Map 17994 as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1695900 Official Records.

Parcel 2-C:

A perpetual easement appurtenant to Parcel 2 of Parcel Map 17994, for ingress and egress purposes within Parcel No. 1 as shown on said Parcel Map No. 17994, over and along a strip of land 13.00 feet in width, the Easterly line thereof described as follows:

Beginning at the most Southerly Southeast corner of said Parcel Map No. 1; thence North 25° 22' 34" West 55.00 feet; thence North 4° 03' 09" West 1222.00 feet.

EXCEPT therefrom that portion thereof within Pacifica Place (private and future street) as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1695900 Official Records.

Parcel 3-A

Parcel 3 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map filed in Book 204 Pages 34 through 37 inclusive of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom that portion of said Parcel Map No. 3 as described on Certificate of Compliance recorded October 13, 1989 as Instrument No. 89-1655714 of Official Records, lying Northerly and Easterly of the following described line:

Beginning at a point in the Northerly line of Parcel No. 4 as shown on said Parcel Map No. 17994 distant thereon North 88° 06' 06" East 140.40 feet from the Westerly terminus of that certain course in the Northerly of said Parcel No. 3 shown on said Parcel Map as having a bearing and distance of "North 88° 06' 06" East 132.73 feet; thence South 1° 53' 54" East 26.24 feet to a point in a line which bears South 84° 35' 44" West and passes through a point in the Southerly prolongation of the Westerly line of the Easterly 65.00 feet of Parcel No. 4 as shown on Parcel Map No. 16827, filed in Parcel Map Book 204, Pages 25 and 26, in the office of the County Recorder of said County, distant thereon South 1° 53' 54" East 11.84 feet from the Northerly line of Parcel No. 4 of said Parcel Map No. 17994; thence South 84° 35' 44" West 110.61 feet; thence South 1° 53' 54" East 9.00 feet; thence South 88° 06' 06" West 22.00 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 50.00 feet; thence Westerly, Northwesterly and Northerly along said curve a distance of 78.54 feet through a central angle of 90° 00' 00"; thence tangent to said curve North 1° 53' 54" West 162.00 feet; thence North 88° 06' 06" East 8.00 feet; thence North 1° 53' 54" West 30.00 feet; thence North 8° 10' 32" West 100.60 feet; thence North 17° 26' 12" East 60.41 feet; thence North 1° 53' 54" West 8.00 feet; thence North 33° 38' 22" East 43.01 feet to the most Northerly Northeast corner of Parcel No. 3 of said Parcel Map No. 17994; thence, along the Easterly line of said Parcel No. 3, South 1° 53' 54" East 40.00 feet to an angle point in the boundary of said Parcel No. 3; thence, along the Northerly line of said Parcel No.'s 3 and 4, North 88° 06' 06" East 140.40 feet to the point of beginning.

ALSO EXCEPT therefrom all oil, minerals natural gas, and other hydrocarbons by whatsoever name known that may be within or under the herein conveyed Parcel of land, and the rights thereto, together with certain other conditions, as excepted and reserved in

deed (State Parcel 12000) to the State of California, recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said Office.

Parcel 3-B:

A perpetual easements appurtenant to Parcel 3 of Parcel Map 17994 for ingress, egress, drainage, public utilities, and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (private and future street), as EXCEPT any portion lying within Parcel 3 of said Parcel Map 17994 as created pursuant to Declaration of Reciprocal Easements recorded September 20, 1988 as Instrument No. 88-1511176 Official Records.

Parcel 3-C:

A perpetual easement appurtenant to Parcel 3 of Parcel Map 17994, for ingress and egress purposes within Parcel No. 4 as shown on said Parcel Map NO. 17994, over and along a strip of land 11.50 feet in width, the Westerly line thereof being described as follows:

Beginning at the Southwesterly corner of said Parcel Map No. 4; thence along the Westerly boundary of said Parcel No. 4, North 12° 54' 24" West 62.99 feet and North 4° 03' 09" West 786.00 feet.

EXCEPT therefrom that portion thereof within Pacifica Place (private and future street) as created pursuant to Declaration of Reciprocal Easements recorded September 20, 1988 as Instrument No. 88-1511176 Official Records.

Parcel 3-D:

A perpetual easement appurtenant to Parcel 3 of Parcel Map 17994, for parking purposes within Parcel No. 4 as shown on said Parcel Map No. 17994, on a strip of land 18.00 feet in width, the Westerly line thereof being described as follows:

Beginning at a point in the Westerly boundary of said Parcel No. 4 distant thereon North 4° 03' 09" West 136.00 feet from the Southerly terminus of that certain course in the Westerly boundary of said Parcel No. 4 shown on said map as having a bearing and distant of "North 04° 03' 09" West 912.07 feet; thence North 85° 56' 51" East 11.50 feet to the true point of beginning; thence, parallel with said Westerly boundary, North 4° 03' 09" West 576.00 feet, as created pursuant to Declaration of Reciprocal Easements recorded September 20, 1988 as Instrument No. 88-1511176 Official Records.

Parcel 4-A:

Parcel 4 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map recorded in Book 204 Pages 34 through 37 inclusive of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom that portion of said Parcel No. 4, as described on Certificate of Compliance, recorded October 13, 1988 as Instrument No. 88-1655714 of Official Records lying Westerly and Northerly of the following described line:

Beginning at the intersection of the Northerly line of said Parcel No. 4 with the Westerly line of the Easterly 65.00 feet of Parcel No. 4 as shown on Parcel Map No. 16827 filed in Book 204 Pages 25 and 26 in the office of the County Recorder; thence along the Southerly prolongation of said Westerly line, South $1^{\circ} 53' 54''$ East 11.84 feet; thence South $84^{\circ} 35' 44''$ West 242.12 feet to the Westerly line of Parcel No. 4 of said Parcel Map No. 17994, distant thereon South $4^{\circ} 03' 09''$ East 26.66 feet from the Northwest corner of said Parcel No. 4.

ALSO EXCEPT therefrom all oil, minerals, natural gas, and other hydrocarbons by whatsoever name known that may within or under the herein conveyed Parcel of land, and the rights thereto, together with certain other conditions, as excepted and reserved in deed (State Parcel 12000) to the State of California, recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said Office.

Parcel 4-B:

A perpetual easements appurtenant to Parcel 4 of Parcel Map 17994, for ingress, egress, drainage and public utilities and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (Private and Future Street), except therefrom any portion lying within Parcel 4 of said Parcel Map 17994, as created pursuant to Declaration of Reciprocal Easements recorded September 20, 1988 as Instrument No. 88-1511176, Official Records.

Parcel 4-C:

A perpetual easement appurtenant to Parcel 4 of Parcel Map 17994, Official Records ingress and egress within Parcel No. 3 as shown on said Parcel Map No. 17994, over and along a strip of land 14.50 feet in width, the Easterly line thereof being described as follows:

Beginning at the Southeasterly corner of said Parcel No. 3; thence along the Easterly boundary of land Parcel No. 3, North $12^{\circ} 54' 24''$ West 62.99 feet and North $4^{\circ} 03' 09''$ West 786.00 feet.

EXCEPT therefrom that portion thereof within Pacifica Place (Private and Future Street) as created pursuant to recordation of Parcel Map 17994.

Parcel 4-D:

A perpetual easement appurtenant to Parcel 4 of Parcel Map 17994, for ingress and egress purposes within Parcel No. 5 as shown on said Parcel Map No. 17994, over and along a strip of land 13.00 feet in width, the Westerly line thereof being described as follows:

Beginning at the Southwesterly corner of said Parcel No. 5; thence along the Southerly and Westerly boundary of said Parcel No. 5 North 51° 20' 10" West 113.26 feet and North 4° 03' 09" West 396.00 feet, as created pursuant to Declaration of Reciprocal easements recorded September 20, 1988 as Instrument No. 88-1511176 Official Records.

Parcel 7-A:

Parcel 7 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map recorded in Book 204 Pages 34 through 37 inclusive of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom all oil, minerals, natural gas and other hydrocarbons by whatsoever name known that may be within or under the herein conveyed Parcel of land, and the rights thereto, together with certain other conditions, as excepted and reserved in deed (State Parcel 12000) to the State of California recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said office.

Parcel 7-B:

Perpetual easements appurtenant to Parcel 7 of Parcel Map 17994, for ingress, egress, public utility, drainage and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (private and future street).

EXCEPT therefrom any portion lying within Parcel 7 of said Parcel Map 17994, as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1665900 Official Records.

Parcel 8-A:

Parcel 8 of Parcel Map No. 17994, in the County of Los Angeles, State of California, as per map recorded in Book 204 Pages 34 through 37 inclusive of Parcel Maps, in the office of the County Recorder of said County.

EXCEPT therefrom all oil, minerals, natural gas, and other hydrocarbons by whatsoever name known that may be within or under the herein conveyed Parcel of land, and the rights thereto, together with certain other conditions, as excepted and reserved in deed (State Parcel 12000) to the State of California, recorded August 6, 1956 in Book 51936 Page 214 of Official Records in said office.

Parcel 8-B:

Perpetual easements appurtenant to Parcel 8 of Parcel Map 17994, for ingress, egress, public utility, drainage and incidental purposes, over that portion of said Parcel Map 17994, shown and defined as Pacifica Place (Private and Future Street), except therefrom any portion lying within Parcel 8 of said Parcel Map 17994, as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1665900 Official Records.

Parcel 8-C:

A perpetual easement appurtenant to Parcel 8 of Parcel Map 17994 for ingress and egress purposes within Parcel Map No. 1 as shown on said Parcel Map No. 17994, over and along a strip of land 15.00 feet in width, the Southeasterly line thereof being described as follows:

Beginning at the most Easterly Southeast corner of said Parcel No. 1; thence South 89° 57' 49" West, along the Westerly prolongation of that certain line in the Northerly boundary of said Parcel No. 8 shown on said map as having a bearing and distance of "North 89° 57' 49" East 255.77 feet", 24.00 feet to the true point of beginning; thence South 33° 18' 40" West 92.78 feet, as created pursuant to Declaration of Reciprocal Easements recorded October 17, 1988 as Instrument No. 88-1665900 Official Records.

EXHIBIT B

ASSIGNMENT AND ASSUMPTION

THIS ASSIGNMENT AND ASSUMPTION (this "Assignment") is made as of this ____ day of _____, 2017, by CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company ("Assignor"), in favor of _____ ("Assignee").

1. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor hereby assigns and transfers to Assignee as of the date title to the property described on Schedule 1 hereto (the "Property") is transferred to Assignee (the "Transfer Date"), all of the following relating to the Property, to the extent assignable, and without representation or warranty of any kind whatsoever, express or implied:

- (a) any and all of Assignor's right, title and interest, as lessor, in, to and under all leases, licenses and occupancy agreements affecting the Property (the "Leases");
- (b) any and all of Assignor's right, title and interest in, to and under all assignable contracts and agreements relating to the leasing, operation, maintenance and repair of Property set forth on Schedule 2 attached hereto (the "Operating Agreements");
- (c) any and all assignable governmental licenses, permits, certificates (including certificates of completion and certificates of occupancy), authorizations and approvals held by Assignor in connection with the current occupancy, use and operation of, and construction upon, the Property (collectively, the "Permits");
- (d) any and all assignable warranties and guaranties including, without limitation, contractor's, architect's and manufacturer's warranties and guaranties held by Assignor and given by third parties with respect to the Property (collectively, the "Warranties"); and
- (e) any and all of Assignor's right, title and interest in and to the non-exclusive use of the name "Rancho Pacifica Industrial Park" (the "Name").

2. Assignee accepts this Assignment and hereby assumes and agrees to perform from and after the Transfer Date (i) all of the covenants, agreements and obligations of the lessor under the Leases and (ii) all of Assignor's covenants, agreements and obligations under the Operating Agreements, Permits, Warranties and Name.

3. In the event of any litigation between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses in such litigation, including, without limitation, reasonable attorneys' fees and expenses. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Agreement shall be entitled to its reasonable attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of this Assignment into any judgment on this Assignment.

4. This Assignment shall be binding on and inure to the benefit of the parties herein, their heirs, executors, administrators, successors-in-interest and assigns.

5. This Assignment shall be governed by and construed in accordance with the laws of the State of California without reference to choice of law principles which might indicate that the law of some other jurisdiction should apply.

6. Nothing contained herein shall be deemed or construed as relieving the Assignor or Assignee of their respective duties and obligations under that certain Purchase and Sale Agreement and Joint Escrow Instructions dated _____, 2017, by and between Assignor and [Assignee][_____] in connection with the Property (the "Purchase Agreement"). In addition, notwithstanding anything to the contrary contained in this Assignment, it is expressly understood and agreed by and between the parties hereto that any liability of Assignor hereunder shall be limited as set forth in Paragraph 9(c) of the Purchase Agreement.

7. This Assignment may be executed in any number of counterparts, each of which shall be deemed an original for all purposes, and all of which shall constitute one and the same instrument as if all parties had signed the same signature page.

[Remainder of page intentionally left blank,

signatures commence on following page]

IN WITNESS WHEREOF, this Assignment and Assumption is made as of the day and year first above written.

ASSIGNOR:

CSHV RANCHO PACIFICA, LLC,
a Delaware limited liability company

By: California State Teachers' Retirement
System, a public entity, its sole member

By: _____

(Print Name and Title)

ASSIGNEE:

_____, a _____

By: _____

(Print Name and Title)

By: _____

(Print Name and Title)

EXHIBIT C

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Attention: _____

MAIL TAX STATEMENT TO:

Attention: _____

(Space Above Line for Recorder's Use Only)

GRANT DEED

The undersigned Grantor hereby declares that the amount of Documentary Transfer Tax due on this Grant Deed is:

\$ _____ County

\$ _____ City

- .. Computed on the consideration or value of the property conveyed; OR
- .. Computed on the consideration or value less liens or encumbrances remaining at time of sale.

FOR VALUE RECEIVED, CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company ("Grantor"), grants to _____, a _____ ("Grantee"), all that certain real property situated in the City of Rancho Dominguez, County of Los Angeles, State of California, described on Schedule 1 attached hereto and by this reference incorporated herein (the "Property").

SUBJECT TO the following:

- (a) All liens, encumbrances, easements, covenants, conditions, restrictions and other matters of record;
- (b) All matters which a correct survey of the Property would disclose;
- (c) All matters which could be ascertained by a physical inspection of the Property;
- (d) Interests of parties in possession;
- (e) Any and all liens not yet delinquent for real property and personal property taxes and for general and special assessments against the Property; and
- (f) Building and zoning ordinances and regulations and any other laws, ordinances, or governmental regulations restricting, regulating or relating to the use, occupancy or enjoyment of the Property.

[Signature page follows]

2017. IN WITNESS WHEREOF, the Grantor has caused its corporate name to be hereunto subscribed as of _____,

CSHV RANCHO PACIFICA, LLC,
a Delaware limited liability company

By: California State Teachers' Retirement
System, a public entity, its sole member

By: _____

(Print Name and Title)

A notary public or other officer completing this certificate
verifies only the identity of the individual who signed the
document to which this certificate is attached, and not the
truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss:
COUNTY OF YOLO)

On _____, 2017, before me, _____, Notary Public
(insert name and title of the officer)

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person
whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that
by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

[Seal]

EXHIBIT D

BILL OF SALE

This Bill of Sale is made as of this ____ day of _____, 2017, by CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company (“Seller”), in favor of _____ (“Buyer”).

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller hereby assigns and transfers to Buyer, its successors and assigns, all of Seller’s right, title and interest in and to all the personal property (collectively, the “Personal Property”) owned by Seller, if any, located on the real property more particularly described on Schedule 1 hereto.

The Personal Property transferred hereby is transferred “AS IS”, “WHERE IS” and “WITH ALL FAULTS”, and without any representation or warranty whatsoever.

Seller’s obligations with respect to this Bill of Sale are limited as set forth in Paragraph 9(c) of that certain Purchase and Sale Agreement and Joint Escrow Instructions by and between Seller and [Buyer][_____], dated as of _____, 2017.

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale as of the day and year first above written.

CSHV RANCHO PACIFICA, LLC,
a Delaware limited liability company

By: California State Teachers’ Retirement
System, a public entity, its sole member

By: _____

(Print Name and Title)

EXHIBIT E

CERTIFICATE OF NON-FOREIGN STATUS

Section 1445 of the United States Internal Revenue Code (the "Code") provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Section 1445), the owner of a disregarded entity that has legal title to a U.S. real property interest under local law, and not the disregarded entity itself, is treated as the transferor of the property. CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company ("Seller"), is conveying certain U.S. real property rights to _____, a _____ ("Transferee"). Seller is owned one hundred percent (100%), either directly or indirectly, by the CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM, a public entity ("Transferor"). To inform Transferee that withholding of tax will not be required upon the transfer of a U.S. real property interest to Transferee by Seller, Transferor hereby certifies to Transferee the following:

1. Seller is a disregarded entity and Transferor is not a disregarded entity (each as such term is defined in Section 1.1445-2(b)(2) (iii) of the Income Tax Regulations promulgated thereunder).
2. Transferor is not a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate (as these terms are defined in the Code and the Income Tax Regulations promulgated thereunder).
3. Transferor's United States employer identification number is: 94-6291617.
4. Transferor's office address is: 100 Waterfront Place, 15th Floor, West Sacramento, CA 95605-2807.

Under penalty of perjury, I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct and complete.

Dated as of: _____, 2017

TRANSFEROR:

CALIFORNIA STATE TEACHER'S RETIREMENT SYSTEM,
a public entity

By: _____

(Print Name and Title)

EXHIBIT F
NOTICE TO TENANT

_____, 2017

Certified Mail

Return Receipt Requested

Re: Sale of Property

This is to notify you that CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company (“Seller”), has sold its interest in the property located at _____ (the “Property”) to _____ (“Buyer”), and in connection therewith has assigned its interest as landlord under your Lease to Buyer.

Seller has also delivered your security deposit in the amount of \$_____ (after deducting \$_____ therefrom on account of claims made against the deposit pursuant to the Lease) to Buyer. Buyer’s address and telephone number are _____. Please direct all future rental and other payments and communications under your Lease to Buyer at that address.

CBRE GLOBAL INVESTORS, LLC

By: _____

(Print Name and Title)

EXHIBIT G

TENANT ESTOPPEL CERTIFICATE

[Date]

BUYER:

SELLER:

CSHV RANCHO PACIFICA, LLC
c/o CBRE Global Investors, LLC
515 South Flower Street, 31st Floor
Los Angeles, California 90071
Attention: Anthony Ecker

Re: Lease dated _____, 20__ (the "Lease") executed between _____ ("Landlord"), and
_____ ("Tenant"), for those premises located at _____.

Gentlemen:

The undersigned Tenant understands that Buyer intends to acquire fee title to that property located at _____ (the "Property") from Seller. The undersigned Tenant does hereby certify to you as follows:

1. Tenant has entered into a certain lease together with all amendments (the "Lease") as described on Schedule 1 attached hereto.
2. The Lease is in full force and effect and has not been modified, supplemented, or amended except as set forth on Schedule 1 attached hereto.
3. Tenant has not given Landlord written notice of any dispute between Landlord and Tenant or that Tenant considers Landlord in default under the Lease, and there are no facts or circumstances currently existing that, with the giving of notice or the passage of time or both, will become a default of Landlord under the Lease.
4. Tenant has no knowledge of any defaults on the part of Tenant under the Lease, and there are no facts or circumstances currently existing that, with the giving of notice or the passage of time or both, will become a default of Tenant under the Lease.
5. Tenant does not claim any offsets or credits against rents payable under the Lease.

6. Tenant has not paid a security or other deposit with respect to the Lease, except as follows: _____.

7. Tenant has fully paid rent to and including the month of _____, 20__.

8. Tenant has not paid any rentals in advance except for the current month of _____, 20__.

9. The Lease expires on _____.

10. Tenant has no options, rights of first offer or rights of first refusal to purchase the Property, except as set forth in the Lease described on Schedule 1 attached hereto.

11. There are no actions, whether voluntary or otherwise, pending against Tenant pursuant to the bankruptcy or insolvency laws of the United States or any state.

12. The truth and accuracy of the certifications contained herein may be relied upon by (i) Landlord and (ii) Buyer or any other purchaser of the Property (in each case, including Buyer and its successors or assigns) (collectively, the "Reliance Parties"), and said certifications shall be binding upon Tenant and its successors and assigns, and inure to the benefit of the Reliance Parties.

TENANT:

_____, a

By: _____

Name: _____

Title: _____

EXHIBIT J
LEASING COSTS

None.

J-1

EXHIBIT K

SEC REPORTING REQUIREMENTS

1. Consolidated Trial Balance (1/1/2016 -12/31/2016) and by building (If available)
2. Consolidated Trial Balance (1/1/2017 - Closing Date) and by building (if available)
3. Consolidated General Ledger (1/1/2016 - 12/31/2016) and by building (if available)
4. Consolidated General Ledger (1/1/2017 - Closing Date) and by building (if available)
5. Consolidated Operating Statements for the full 12 months of 2016
6. Consolidated Operating Statements for 2017 through the Closing Date
7. Cash Receipts Ledger for January 2016 - December 2016
8. Cash Receipts Ledger for January 2017 - Closing Date
9. Monthly Bank Statements from January 2016 - December 2016
10. Monthly Bank Statements from January 2017 - Closing Date
11. Cash Disbursements Ledger for January 2016 - December 2016
12. Cash Disbursements Ledger for January 2017 - Closing Date
13. Rent Rolls including step-ups for each month January 2016 - December 2016 (by building if available)
14. Rent Rolls including step-ups for January 2017 through Closing Date (by building if available)
15. 2016 Fixed Assets Roll forward by building (including detail of capital expenditures)
16. 2016 CAM/tenant reimbursement reconciliations by building
17. 2016-2017 Real estate tax bills
18. 2015/2016, 2016/2017 and Supplemental Real estate tax bills for all buildings
19. Insurance invoices that cover all of FY16 (for example, if the policy has a fiscal year end, provide both 2015/2016 and 2016/2017 invoices)
20. Straight line rent schedules for all buildings (if applicable)

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "Amendment") is made and entered into as of July 10, 2017, between by and between REXFORD INDUSTRIAL REALTY, L.P., a Maryland limited partnership (the "Buyer"), and CSHV RANCHO PACIFICA, LLC, a Delaware limited liability company (the "Seller").

RECITALS

A. Buyer and Seller have entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions dated as of July 5, 2017 (the "Purchase Agreement"), in connection with the sale by Seller to Buyer of certain Property more particularly described therein. All capitalized terms used herein which are not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

B. Buyer and Seller hereby desire to amend the Purchase Agreement as more particularly set forth herein.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Buyer and Seller agree as follows:

1. Leasing Costs. The parties hereby agree that Exhibit J attached to the Purchase Agreement is deleted in its entirety and replaced with Exhibit J attached hereto.
2. No Waiver. Nothing contained herein shall be or be deemed to be a waiver by Buyer or Seller of any rights or remedies under the Purchase Agreement.
3. Reaffirmation. Except as expressly amended and modified hereby, the terms and provisions of the Purchase Agreement are hereby ratified and affirmed in their entirety.
4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. This Amendment shall be deemed executed and delivered upon each party's delivery of executed signature pages, which signature pages may be delivered electronically or by facsimile with the same effect as delivery of the originals.

[Signatures commence on the following page]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions as of the date first written above.

“Seller”

CSHV RANCHO PACIFICA, LLC,
a Delaware limited liability company

By: California State Teachers’ Retirement System, a
public entity, its sole member

By: CBRE Global Investors, LLC, a Delaware
limited liability company, its investment
advisor

By: /s/ Anthony Ecker
Anthony Ecker, Senior Director,
Authorized Signatory

“Buyer”

REXFORD INDUSTRIAL REALTY, L.P.,
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation,
its General Partner

By: /s/ Howard Schwimmer
Name: Howard Schwimmer
Its: Co-CEO

EXHIBIT J

LEASING COSTS

1. Lamon's Metal Gasket - \$12,000
2. Union Supply Company - \$181,150
3. Affiliated Pathologists Medical Group - \$14,862
4. eVox Productions - \$2,387.77

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Adeel Khan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rexford Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2017

By:

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Frankel, Co-Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer

November 2, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard Schwimmer, Co-Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Howard Schwimmer

Howard Schwimmer
Co-Chief Executive Officer
November 2, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adeel Khan, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

November 2, 2017