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 June 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________

Commission File Number: 001-36008

Rexford Industrial Realty, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**46-2024407**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11620 Wilshire Boulevard, Suite 1000	**Los Angeles**	**California**	**90025**
(Address of principal executive offices)			(Zip Code)

(310) 966-1680
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, $0.01 par value	REXR	New York Stock Exchange
5.875% Series A Cumulative Redeemable Preferred Stock	REXR-PA	New York Stock Exchange
5.875% Series B Cumulative Redeemable Preferred Stock	REXR-PB	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 July 29, 2019 was 109,749,696.

REXFORD INDUSTRIAL REALTY, INC.
QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019
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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)

	June 30, 2019	December 31, 2018
ASSETS		
Land	$ 1,590,321	$ 1,298,957
Buildings and improvements	1,528,750	1,332,438
Tenant improvements	66,665	60,024
Furniture, fixtures and equipment	141	149
Construction in progress	23,576	24,515
Total real estate held for investment	3,209,453	2,716,083
Accumulated depreciation	(261,231)	(228,742)
Investments in real estate, net	2,948,222	2,487,341
Cash and cash equivalents	172,209	180,601
Restricted cash	11,055	—
Rents and other receivables, net	3,614	4,944
Deferred rent receivable, net	25,462	22,228
Deferred leasing costs, net	16,722	14,002
Deferred loan costs, net	1,004	1,312
Acquired lease intangible assets, net	61,664	55,683
Acquired indefinite-lived intangible	5,156	5,156
Interest rate swap asset	1,414	8,770
Other assets	14,204	6,723
Acquisition related deposits	4,615	925
Total Assets	$ 3,265,341	$ 2,787,685
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$ 757,677	$ 757,371
Interest rate swap liability	8,671	2,351
Accounts payable, accrued expenses and other liabilities	26,065	21,074
Dividends payable	20,823	15,938
Acquired lease intangible liabilities, net	55,084	52,727
Tenant security deposits	26,123	23,262
Prepaid rents	6,289	6,539
Total Liabilities	900,732	879,262
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized,		
5.875% series A cumulative redeemable preferred stock, 3,600,000 shares outstanding at June 30, 2019 and December 31, 2018 ($90,000 liquidation preference)	86,651	86,651
5.875% series B cumulative redeemable preferred stock, 3,000,000 shares outstanding at June 30, 2019 and December 31, 2018 ($75,000 liquidation preference)	72,443	72,443
Common Stock, $0.01 par value per share, 490,000,000 authorized and 109,739,580 and 96,810,504 shares outstanding at June 30, 2019 and December 31, 2018, respectively	1,095	966
Additional paid in capital	2,255,849	1,798,113
Cumulative distributions in excess of earnings	(107,056)	(88,341)
Accumulated other comprehensive (loss) income	(7,101)	6,262
Total stockholders' equity	2,301,881	1,876,094
Noncontrolling interests	62,728	32,329
Total Equity	2,364,609	1,908,423
Total Liabilities and Equity	$ 3,265,341	$ 2,787,685

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES				
Rental income	$ 63,613	$ 51,616	123,217	100,049
Management, leasing and development services	109	140	211	243
Interest income	668	—	1,325	—
TOTAL REVENUES	64,390	51,756	124,753	100,292
OPERATING EXPENSES				
Property expenses	15,139	12,775	28,951	24,735
General and administrative	7,301	6,506	14,645	12,668
Depreciation and amortization	24,522	19,775	46,518	39,227
TOTAL OPERATING EXPENSES	46,962	39,056	90,114	76,630
OTHER EXPENSES				
Acquisition expenses	29	37	52	46
Interest expense	6,255	6,452	12,726	12,304
TOTAL EXPENSES	53,246	45,545	102,892	88,980
Gains on sale of real estate	4,810	1,608	4,810	11,591
NET INCOME	15,954	7,819	26,671	22,903
Less: net income attributable to noncontrolling interests	(569)	(129)	(770)	(447)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	15,385	7,690	25,901	22,456
Less: preferred stock dividends	(2,424)	(2,424)	(4,847)	(4,847)
Less: earnings allocated to participating securities	(113)	(94)	(227)	(191)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 12,848	$ 5,172	$ 20,827	$ 17,418
Net income attributable to common stockholders per share - basic	$ 0.12	$ 0.06	$ 0.20	$ 0.22
Net income attributable to common stockholders per share - diluted	$ 0.12	$ 0.06	$ 0.20	$ 0.21
Weighted average shares of common stock outstanding - basic	105,847,557	82,924,208	102,115,849	80,820,870
Weighted average shares of common stock outstanding - diluted	106,236,309	83,494,825	102,442,780	81,357,129

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 15,954	$ 7,819	$ 26,671	$ 22,903
Other comprehensive (loss) income: cash flow hedge adjustment	(8,549)	1,742	(13,676)	6,062
Comprehensive income	7,405	9,561	12,995	28,965
Comprehensive income attributable to noncontrolling interests	(382)	(132)	(457)	(555)
Comprehensive income attributable to Rexford Industrial Realty, Inc.	$ 7,023	$ 9,429	$ 12,538	$ 28,410

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 (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at April 1, 2019	$ 159,094	104,028,046	$ 1,038	$ 2,042,218	$ (99,715)	$ 1,261	$ 2,103,896	$ 33,940	$ 2,137,836
Issuance of common stock	—	5,660,920	57	216,208	—	—	216,265	—	216,265
Offering costs	—	—	—	(3,465)	—	—	(3,465)	—	(3,465)
Issuance of 4.43937% cumulative redeemable convertible preferred units	—	—	—	—	—	—	—	27,359	27,359
Share-based compensation	—	11,295	—	632	—	—	632	2,119	2,751
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(681)	—	(25)	—	—	(25)	—	(25)
Conversion of units to common stock	—	40,000	—	281	—	—	281	(281)	—
Net income	2,424	—	—	—	12,961	—	15,385	569	15,954
Other comprehensive loss	—	—	—	—	—	(8,362)	(8,362)	(187)	(8,549)
Preferred stock dividends ($0.367188 per share)	(2,424)	—	—	—	—	—	(2,424)	—	(2,424)
Preferred unit distributions	—	—	—	—	—	—	—	(270)	(270)
Common stock dividends ($0.185 per common share)	—	—	—	—	(20,302)	—	(20,302)	—	(20,302)
Distributions	—	—	—	—	—	—	—	(521)	(521)
Balance at June 30, 2019	$ 159,094	109,739,580	$ 1,095	$ 2,255,849	$ (107,056)	$ (7,101)	$ 2,301,881	$ 62,728	$ 2,364,609

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(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 April 1, 2018	$ 159,094	80,667,789	$ 804	$ 1,297,391	$ (67,622)	$ 11,014	$ 1,400,681	$ 27,640	$ 1,428,321
Issuance of common stock	—	10,358,256	104	321,743	—	—	321,847	—	321,847
Offering costs	—	—	—	(5,113)	—	—	(5,113)	—	(5,113)
Share-based compensation	—	12,820	—	497	—	—	497	2,220	2,717
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(4,411)	—	(125)	—	—	(125)	—	(125)
Conversion of units to common stock	—	27,611	—	257	—	—	257	(257)	—
Net income	2,424	—	—	—	5,266	—	7,690	129	7,819
Other comprehensive income	—	—	—	—	—	1,739	1,739	3	1,742
Preferred stock dividends ($0.367188 per share)	(2,424)	—	—	—	—	—	(2,424)	—	(2,424)
Common stock dividends ($0.16 per common share)	—	—	—	—	(14,570)	—	(14,570)	—	(14,570)
Distributions	—	—	—	—	—	—	—	(381)	(381)
Balance at June 30, 2018	$ 159,094	91,062,065	$ 908	$ 1,614,650	$ (76,926)	$ 12,753	$ 1,710,479	$ 29,354	$ 1,739,833

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(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 (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2019	$ 159,094	96,810,504	$ 966	$ 1,798,113	$ (88,341)	$ 6,262	$ 1,876,094	$ 32,329	$ 1,908,423
Cumulative effect of adoption of ASC 842	—	—	—	—	(222)	—	(222)	—	(222)
Issuance of common stock	—	12,809,666	128	464,531	—	—	464,659	—	464,659
Offering costs	—	—	—	(7,439)	—	—	(7,439)	—	(7,439)
Issuance of 4.43937% cumulative redeemable convertible preferred units	—	—	—	—	—	—	—	27,359	27,359
Share-based compensation	—	98,214	1	1,142	—	—	1,143	4,221	5,364
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(23,771)	—	(816)	—	—	(816)	—	(816)
Conversion of units to common stock	—	44,967	—	318	—	—	318	(318)	—
Net income	4,847	—	—	—	21,054	—	25,901	770	26,671
Other comprehensive loss	—	—	—	—	—	(13,363)	(13,363)	(313)	(13,676)
Preferred stock dividends ($0.734376 per share)	(4,847)	—	—	—	—	—	(4,847)	—	(4,847)
Preferred unit distributions	—	—	—	—	—	—	—	(270)	(270)
Common stock dividends ($0.370 per share)	—	—	—	—	(39,547)	—	(39,547)	—	(39,547)
Distributions	—	—	—	—	—	—	—	(1,050)	(1,050)
Balance at June 30, 2019	$ 159,094	109,739,580	$ 1,095	$ 2,255,849	$ (107,056)	$ (7,101)	$ 2,301,881	$ 62,728	$ 2,364,609

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(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, 2018	$ 159,713	78,495,882	$ 782	$ 1,239,810	$ (67,058)	$ 6,799	$ 1,340,046	$ 25,208	$ 1,365,254
Issuance of common stock	—	12,443,919	125	380,173	—	—	380,298	—	380,298
Offering costs	(32)	—	—	(6,161)	—	—	(6,193)	—	(6,193)
Share-based compensation	—	92,247	1	906	—	—	907	4,826	5,733
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(19,698)	—	(543)	—	—	(543)	—	(543)
Conversion of units to common stock	—	49,715	—	465	—	—	465	(465)	—
Net income	4,847	—	—	—	17,609	—	22,456	447	22,903
Other comprehensive income	—	—	—	—	—	5,954	5,954	108	6,062
Preferred stock dividends ($0.734376 per series A preferred share and $0.930209 per series B preferred share)	(5,434)	—	—	—	—	—	(5,434)	—	(5,434)
Common stock dividends ($0.32 per share)	—	—	—	—	(27,477)	—	(27,477)	—	(27,477)
Distributions	—	—	—	—	—	—	—	(770)	(770)
Balance at June 30, 2018	$ 159,094	91,062,065	$ 908	$ 1,614,650	$ (76,926)	$ 12,753	$ 1,710,479	$ 29,354	$ 1,739,833

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)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 26,671	$ 22,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	466	411
Depreciation and amortization	46,518	39,227
Amortization of (below) above market lease intangibles, net	(3,651)	(2,732)
Gain on sale of real estate	(4,810)	(11,591)
Amortization of debt issuance costs	689	643
Amortization of discount on notes payable	3	3
Equity based compensation expense	5,288	5,623
Straight-line rent	(3,308)	(3,642)
Change in working capital components:		
Rents and other receivables	873	(636)
Deferred leasing costs	(3,436)	(2,996)
Other assets	(1,222)	(2,377)
Accounts payable, accrued expenses and other liabilities	(3,112)	337
Tenant security deposits	1,516	597
Prepaid rents	(937)	(646)
Net cash provided by operating activities	61,548	45,124
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(458,978)	(329,763)
Capital expenditures	(22,244)	(26,471)
Payments for (proceeds from) deposits on real estate acquisitions	(4,215)	875
Proceeds from sale of real estate	11,055	35,177
Net cash used in investing activities	(474,382)	(320,182)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of stock, net	457,220	374,105
Proceeds from notes payable	35,000	401,000
Repayment of notes payable	(35,078)	(311,466)
Debt issuance costs	—	(1,748)
Dividends paid to preferred stockholders	(4,847)	(5,434)
Dividends paid to common stockholders	(34,735)	(24,289)
Distributions paid to common unitholders	(977)	(733)
Distributions paid to preferred unitholders	(270)	—
Repurchase of common shares to satisfy employee tax withholding requirements	(816)	(543)
Net cash provided by financing activities	415,497	430,892
Increase in cash, cash equivalents and restricted cash	2,663	155,834
Cash, cash equivalents and restricted cash, beginning of period	180,601	6,870
Cash, cash equivalents and restricted cash, end of period	$ 183,264	$ 162,704
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of $1,682 and $934 for the six months ended June 30, 2019 and 2018, respectively)	$ 11,884	$ 11,359
Supplemental disclosure of noncash transactions:		
Operating lease right-of-use assets obtained in exchange for lease liabilities upon adoption of ASC 842 on January 1, 2019	$ 3,262	$ —
Operating lease right-of-use assets obtained in exchange for lease liabilities subsequent to January 1, 2019	$ 3,457	$ —
Issuance of 4.43937% cumulative redeemable convertible preferred units in connection with property acquisition	$ 27,359	$ —
Accrual for capital expenditures	$ 3,221	$ 2,653
Accrual of dividends	$ 20,823	$ 14,952

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

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 June 30, 2019, our consolidated portfolio consisted of 196 properties with approximately 23.9 million rentable square feet. In addition, we currently manage 19 properties with approximately 1.0 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).

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

As of June 30, 2019, and December 31, 2018, and for the three and six months ended June 30, 2019 and 2018, 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.

Under consolidation guidance, we have determined that our Operating Partnership is a variable interest entity because the holders of limited partnership interests do not have substantive kick-out rights or participating rights. Furthermore, we are the primary beneficiary of the Operating Partnership because we have the obligation to absorb losses and the right to receive benefits from the Operating Partnership and the exclusive power to direct the activities of the Operating Partnership. As of June 30, 2019 and December 31, 2018, the assets and liabilities of the Company and the Operating Partnership are substantially the same, as the Company does not have any significant assets other than its investment in the Operating Partnership.

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, 2019. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2018 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.

Use of Estimates

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.

Reclassifications

In connection with the adoption of the new lease accounting standard on January 1, 2019, as further described below under "Adoption of New Accounting Pronouncements," tenant reimbursements and other income related to leases have been reclassified to "Rental income" in the consolidated statement of operations for the three and six months ended June 30, 2018, to conform to the 2019 financial statement presentation.

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 June 30, 2019, net proceeds of $11.1 million from the sale of our property located 2350-2384 Orangethorpe Avenue and 1631 Placentia Avenue were included in restricted cash. As of December 31, 2018, we did not have a balance in restricted cash.

Restricted cash balances are included with cash and cash equivalents balances as of the beginning and ending of each period presented in the consolidated statements of cash flows. The following table provides a reconciliation of our cash and cash equivalents and restricted cash as of June 30, 2019 and December 31, 2018 (in thousands):

	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 172,209	$ 180,601
Restricted cash	11,055	—
Cash, cash equivalents and restricted cash	$ 183,264	$ 180,601

Investments in Real Estate

Acquisitions

We account for acquisitions of properties under Accounting Standards Update ("ASU") 2017-01, Business Combinations - Clarifying the Definition of a Business ("ASU 2017-01"), which provides a framework for determining whether transactions should be accounted for as acquisitions of assets or businesses and further revises the definition of a business. Our acquisitions of properties generally no longer meet the revised definition of a business and accordingly are accounted for as asset acquisitions.

For asset acquisitions, we allocate the cost of the acquisition, which includes the purchase price and associated acquisition transaction costs, to the individual assets acquired and liabilities assumed on a relative fair value basis. These individual assets and liabilities typically include land, building and improvements, tenant improvements, intangible assets and liabilities related to above- and below-market leases, intangible assets related to in-place leases, and from time to time, assumed debt. As there is no measurement period concept for an asset acquisition, the allocated cost of the acquired assets is finalized in the period in which the acquisition occurs.

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 six months ended June 30, 2019, we used discount rates ranging from 6.00% to 7.75% and exit capitalization rates ranging from 4.75% to 7.25%.

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 estimated costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. We consider estimated costs such as the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property to its occupancy level at the time of its acquisition. In determining the fair value of acquisitions completed during the six months ended June 30, 2019, we used an estimated average lease-up period ranging from six months to nine months.

The difference between the fair value and the face value of debt assumed, if any, 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 are 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 $1.1 million and $0.6 million during the three months ended June 30, 2019 and 2018, respectively, and $1.7 million and $0.9 million during the six months ended June 30, 2019 and 2018, respectively. We capitalized real estate taxes and insurance costs aggregating $0.4 million and $0.3 million during the three months ended June 30, 2019 and 2018, respectively and $0.6 million and $0.5 million during the six months ended June 30, 2019 and 2018 respectively. We capitalized compensation costs for employees who provide construction services of $0.6 million and $0.5 million during the three months ended June 30, 2019 and 2018, respectively, and $1.3 million and $1.0 million during the six months ended June 30, 2019 and 2018 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 that a change in the useful life has occurred, which requires significant judgment regarding the economic obsolescence of tangible and intangible assets.

Assets Held for Sale

We classify a property as held for sale when all of the criteria set forth in the Accounting Standards Codification (“ASC”) Topic 360: Property, Plant and Equipment (“ASC 360”) have been met. The criteria are as follows: (i) management, having the authority to approve the action, commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of the property is probable and is expected to be completed within one year; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. At the time we classify a property as held for sale, we cease recording depreciation and amortization. A property classified as held for sale is measured and reported at the lower of its carrying amount or its estimated fair value less cost to sell. As of June 30, 2019 and December 31, 2018, we did not have any properties classified as held for sale.

Deferred Leasing Costs

Subsequent to the adoption of the new lease accounting standard on January 1, 2019, we only capitalize incremental direct costs of a lease that would not have been incurred had the lease not been executed. As a result, deferred leasing costs on a go-forward basis, will generally only include third-party broker commissions. Prior to January 1, 2019, under prior lease accounting guidance, we capitalized incremental direct costs which included an allocation of internal compensation costs of employees who spent time on successful lease origination activities, in addition to third-party broker commissions. During the three and six months ended June 30, 2018, we capitalized compensation costs for these employees of $0.2 million and $0.4 million respectively.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of ASC 360*,* 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.

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 six months ended June 30, 2019 and 2018.

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2019, and December 31, 2018, we have not established a liability for uncertain tax positions.

Derivative Instruments and Hedging Activities

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

Our primary sources of revenue are rental income, management, leasing and development services and gains on sale of real estate.

Rental Income

Total minimum annual lease payments are recognized in rental income on a straight-line basis over the term of the related lease, regardless of when payments are contractually due. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. Lease termination fees, which are included in rental income, are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

Our lease agreements with tenants generally contain provisions that require tenants to reimburse us for certain property expenses. 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.

Management, leasing and development services

We provide property management services and leasing services to related party and third-party property owners, the customer, in exchange for fees and commissions. Property management services include performing property inspections, monitoring repairs and maintenance, negotiating vendor contracts, maintaining tenant relations and providing financial and accounting oversight. For these services, we earn monthly management fees, which are based on a fixed percentage of each managed property's monthly tenant cash receipts. We have determined that control over the services is passed to the customer simultaneously as performance occurs. Accordingly, management fee revenue is earned as the services are provided to our customers.

Leasing commissions are earned when we provide leasing services that result in an executed lease with a tenant. We have determined that control over the services is transferred to the customer upon execution of each lease agreement. We earn leasing commissions based on a fixed percentage of rental income generated for each executed lease agreement and there is no variable income component.

Gain or Loss on Sale of Real Estate

We account for dispositions of real estate properties, which are considered nonfinancial assets, in accordance with ASC 610-20: Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets and recognize a gain or loss on sale of real estate upon transferring control of the nonfinancial asset to the purchaser, which is generally satisfied at the time of sale. If we were to conduct a partial sale of real estate by transferring a controlling interest in a nonfinancial asset, while retaining a noncontrolling ownership interest, we would measure any noncontrolling interest received or retained at fair value, and recognize a full gain or loss. If we receive consideration before transferring control of a nonfinancial asset, we recognize a contract liability. If we transfer control of the asset before consideration is received, we recognize a contract asset.

Valuation of Receivables

We may be subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables related to our operating leases. 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. On a quarterly basis, we perform an assessment of the collectability of operating lease receivables on a tenant-by-tenant basis, which includes reviewing the age and nature of our receivables, the payment history and financial condition of the tenant, our assessment of the tenant's ability to meet its lease obligations and the status of negotiations of any disputes with the tenant. Any changes in the collectability assessment for an operating lease is recognized as an adjustment, which can be a reduction or increase, to rental income in the consolidated statements of operations. As a result of our quarterly collectability assessments, we recognized \$0.4 million and \$0.1 million, for three months ended June 30, 2019 and 2018, respectively, and \$0.5 million and \$0.3 million, for the six months ended June 30, 2019 and 2018, respectively, as a reduction of rental income in the consolidated statements of operations.

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 issuances 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 Financial Accounting Standards Board ("FASB") in the form of ASUs to the FASB's Accounting Standards Codification. We consider the applicability and impact of all ASUs. Other than the ASUs discussed below, the FASB has not recently issued any other ASUs that we expect to be applicable and have a material impact on our financial statements.

Adoption of New Accounting Pronouncements

Derivatives

On August 28, 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"). ASU 2017-12 simplifies hedge accounting by eliminating the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. For cash flow hedges, ASU 2017-12 requires all changes in the fair value of the hedging instrument to be deferred in other comprehensive income and recognized in earnings at the same time that the hedged item affects earnings. ASU 2017-12 also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. Effective January 1, 2018, we early adopted ASU 2017-12 using the modified retrospective approach. We did not record a cumulative effect adjustment to eliminate ineffectiveness amounts as we did not have any ineffectiveness in our historical consolidated financial statements. In addition, certain provisions of ASU 2017-12 require modifications to existing presentation and disclosure requirements on a prospective basis. See Note 7 for disclosures relating to our derivative instruments.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principals for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 was subsequently amended by the following updates: (i) ASU 2018-10, Leases: Codification Improvements to Topic 842, (ii) ASU 2018-11, Leases: Targeted Improvements, (iii) ASU 2018-20, Leases: Narrow-Scope Improvements for Lessors and (iv) ASU 2019-01, Leases: Codification Improvements (collectively referred to as "ASC 842"). ASC 842 supersedes prior lease accounting guidance contained in ASC Topic 840, Leases ("ASC 840").

On January 1, 2019, we adopted ASC 842 using the modified retrospective approach and elected to apply the provisions as of the date of adoption on a prospective basis. In making this election, we have continued to apply ASC 840 to comparative periods, including providing disclosures required by ASC 840 for these periods, and we recognized the effects of applying ASC 842 as a cumulative-effect adjustment to retained earnings as of January 1, 2019, as described below under "Lessor".

Upon adoption of ASC 842, we elected the "package of practical expedients" which allowed us to not reassess (a) whether expired or existing contracts as of January 1, 2019 are or contain leases, (b) the lease classification for any expired or existing leases as of January 1, 2019, and (c) the treatment of initial direct costs relating to any existing leases as of January 1, 2019. The package of practical expedients was made as a single election and was consistently applied to all leases that commenced before January 1, 2019.

Lessor

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. As we elected the package of practical expedients, our existing leases as of January 1, 2019, continue to be accounted for as operating leases.

Upon adoption of ASC 842, we elected the practical expedient permitting lessors to elect by class of underlying asset to not separate non-lease components (for example, maintenance services, including common area maintenance) from associated lease components (the "non-separation practical expedient") if both of the following criteria are met: (1) the timing and pattern of transfer of the lease and non-lease component(s) are the same and (2) the lease component would be classified as an operating lease if it were accounted for separately. If both criteria are met, the combined component is accounted for in accordance with ASC 842 if the lease component is the predominant component of the combined component; otherwise, the combined component is accounted for in accordance with the revenue recognition standard. We assessed the criteria above with respect to our operating leases and determined that they qualify for the non-separation practical expedient. As a result, we have accounted for and presented all rental income earned pursuant to operating leases, including tenant reimbursements, as a single line item "Rental income" in the consolidated statement of operations for the three and six months ended June 30, 2019. Prior to the adoption of ASC 842, we presented rental income, tenant reimbursements and other income related to leases separately in our consolidated statements of operations. For comparability, we have adjusted our comparative consolidated statement of operations for the three and six months ended June 30, 2018, to conform to the 2019 financial statement presentation.

Under ASC 842, lessors are required to record revenues and expenses on a gross basis for lessor costs (which include real estate taxes) when these costs are reimbursed by a lessee. Conversely, lessors are required to record revenues and expenses on a net basis for lessor costs when they are paid by a lessee directly to a third party on behalf of the lessor. Prior to the adoption of ASC 842, we recorded revenues and expenses on a gross basis for real estate taxes whether they were reimbursed to us by a tenant or paid directly by a tenant to the taxing authorities on our behalf. Effective January 1, 2019, we are recording these costs in accordance with ASC 842.

ASC 842 only allows lessors to capitalize the incremental direct costs of originating a lease that would not have been incurred had the lease not been executed. As a result, deferred leasing costs will generally only include third-party broker commissions. Prior to January 1, 2019, under ASC 840, we capitalized incremental direct costs, which included an allocation of internal compensation costs of employees who spent time on successful lease origination activities. Effective January 1, 2019, such costs will no longer be capitalized as initial direct costs and instead will be expensed as incurred.

For leases that commenced prior to January 1, 2019, capitalized internal compensation costs will continue to be amortized over the remaining life of the lease. For leases that were executed but had not commenced prior to January 1, 2019, we recognized a cumulative-effect adjustment to "Cumulative distributions in excess of earnings" of $0.2 million to write off these capitalized internal compensation costs, as these costs were capitalized in accordance with ASC 840, as noted above, and do not qualify for capitalization under ASC 842.

See Note 6 for additional lessor disclosures required under ASC 842.

Lessee

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 ("ROU 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.

We are the lessee on one ground lease and multiple office space leases, which were classified as operating leases under ASC 840. As we elected the package of practical expedients, we were not required to reassess the classification of these existing leases and as such, these leases continue to be accounted for as operating leases. In the event we modify our existing ground lease or enter into new ground leases in the future, such leases may be classified as finance leases.

On January 1, 2019, we recognized ROU assets and lease liabilities for these leases on our consolidated balance sheets, and on a go-forward basis, lease expense will be recognized on a straight-line basis over the remaining term of the lease.

Upon adoption of ASC 842, we also elected the practical expedient to not separate non-lease components, such as common area maintenance, from associated lease components for our ground and office space leases.

See Note 6 for additional lessee disclosures required under ASC 842.

3. Investments in Real Estate

Acquisitions

The following table summarizes the wholly-owned industrial properties we acquired during the six months ended June 30, 2019:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price[1] (in thousands)
12821 Knott Street[2]	Orange County - West	1/15/2019	120,800	1	$ 19,800
28510 Industry Drive[2]	Los Angeles - San Fernando Valley	1/17/2019	46,778	1	7,765
Conejo Spectrum Business Park[2]	Ventura	1/28/2019	531,378	9	106,250
2455 Ash Street[2]	San Diego - North County	3/5/2019	42,508	1	6,680
25413 Rye Canyon Road[2]	Los Angeles - San Fernando Valley	3/12/2019	48,075	1	5,529
1515 East 15th Street[3]	Los Angeles - Central LA	4/10/2019	238,015	1	28,100
13890 Nelson Avenue[2]	Los Angeles - San Gabriel Valley	4/12/2019	256,993	1	41,810
445-449 Freedom Avenue[2]	Orange County - North	4/12/2019	92,647	1	17,960
2270 Camino Vida Roble[2]	San Diego - North County	4/12/2019	106,311	1	16,791
980 Rancheros Drive[2]	San Diego - North County	4/16/2019	48,878	1	7,895
1145 Arroyo Avenue[2]	Los Angeles - San Fernando Valley	4/25/2019	147,019	1	29,862
1150 Aviation Place[2]	Los Angeles - San Fernando Valley	4/25/2019	147,000	1	29,694
1175 Aviation Place[2]	Los Angeles - San Fernando Valley	4/25/2019	92,455	1	17,844
1245 Aviation Place[2]	Los Angeles - San Fernando Valley	4/25/2019	132,936	1	26,055
635 8th Street[2]	Los Angeles - San Fernando Valley	4/25/2019	72,250	1	14,659
10015 Waples Court[2]	San Diego - Central County	4/25/2019	106,412	1	21,300
19100 Susana Road[2]	Los Angeles - South Bay	4/30/2019	52,714	1	13,510
15385 Oxnard Street[2]	Los Angeles - San Fernando Valley	5/3/2019	71,467	1	16,800
9750-9770 San Fernando Road[2]	Los Angeles - San Fernando Valley	5/16/2019	35,624	1	7,440
218 Turnbull Canyon[2]	Los Angeles - San Gabriel Valley	5/31/2019	190,900	1	27,100
The Merge[2][4]	San Bernardino - Inland Empire West	6/6/2019	—	—	23,200
Total 2019 Wholly-Owned Property Acquisitions			2,581,160	28	$ 486,044

(1) Represents the gross contractual purchase price before prorations, closing costs and other acquisition related costs.

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

(3) In connection with this acquisition, we issued the seller 593,960 newly issued 4.43937% Cumulative Redeemable Convertible Preferred Units of partnership interest in the Operating Partnership. See Note 12 for additional details.

(4) The Merge is a fully entitled development site on which we plan to construct a 334,000 rentable square foot six-building industrial complex. We have retained the seller as fee developer to construct the project. The purchase price includes $5.1 million of consideration held back in escrow to be released to the seller/developer upon meeting certain development milestones.

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):

		2019 Acquisitions
Assets:		
Land	$	296,257
Buildings and improvements		180,274
Tenant improvements		2,854
Acquired lease intangible assets(1)		16,194
Other acquired assets(2)		332
Total assets acquired		495,911
Liabilities:		
Acquired lease intangible liabilities(3)		6,685
Other assumed liabilities(2)		2,364
Total liabilities assumed		9,049
Net assets acquired	$	486,862

(1) Acquired lease intangible assets is comprised of $14.8 million of in-place lease intangibles with a weighted average amortization period of 5.0 years and $1.4 million of above-market lease intangibles with a weighted average amortization period of 6.5 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 7.4 years.

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):

		June 30, 2019		December 31, 2018
Acquired Lease Intangible Assets:				
In-place lease intangibles	$	133,976	$	119,517
Accumulated amortization		(77,762)		(68,481)
In-place lease intangibles, net	$	56,214	$	51,036
Above-market tenant leases	$	12,488	$	11,125
Accumulated amortization		(7,038)		(6,478)
Above-market tenant leases, net	$	5,450	$	4,647
Acquired lease intangible assets, net	$	61,664	$	55,683
Acquired Lease Intangible Liabilities:				
Below-market tenant leases	$	(72,884)	$	(66,388)
Accumulated accretion		17,800		13,778
Below-market tenant leases, net	$	(55,084)	$	(52,610)
Above-market ground lease(1)	$	—	$	(290)
Accumulated accretion(1)		—		173
Above-market ground lease, net(1)	$	—	$	(117)
Acquired lease intangible liabilities, net	$	(55,084)	$	(52,727)

(1) In connection with the adoption of ASC 842 on January 1, 2019, we derecognized the net above-market ground lease intangible liability of $0.1 million and adjusted the carrying amount of the ground lease right-of-use asset by a corresponding amount. See Note 2 for additional details related to the adoption of ASC 842.

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the three and six months ended June 30, 2019 and 2018 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
In-place lease intangibles(1)	$ 5,313	$ 4,676	$ 9,652	$ 9,867
Net below-market tenant leases(2)	$ (1,900)	$ (1,608)	$ (3,651)	$ (2,716)
Above-market ground lease(3)	$ —	$ (8)	$ —	$ (16)

(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 below-market tenant leases is recorded as an increase to rental income 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 June 30, 2019 and December 31, 2018 (in thousands):

	June 30, 2019	December 31, 2018
Principal amount	$ 761,038	$ 761,116
Less: unamortized discount and debt issuance costs(1)	(3,361)	(3,745)
Carrying value	$ 757,677	$ 757,371

(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 June 30, 2019, and December 31, 2018 (dollars in thousands):

	June 30, 2019		December 31, 2018				
	Principal Amount	**Unamortized Discount and Debt Issuance Costs**	**Principal Amount**	**Unamortized Discount and Debt Issuance Costs**	**Contractual Maturity Date**	**Stated Interest Rate[(1)]**	**Effective Interest Rate [(2)]**
Secured Debt							
$60M Term Loan	$ 58,499	$ (205)	$ 58,499	$ (230)	8/1/2023 [(3)]	LIBOR+1.70%	4.18%
Gilbert/La Palma[(4)]	2,539	(124)	2,617	(129)	3/1/2031	5.125%	5.46%
Unsecured Debt							
$100M Term Loan Facility	100,000	(218)	100,000	(260)	2/14/2022	LIBOR+1.20% [(5)]	3.05% [(6)]
Revolving Credit Facility	—	—	—	—	2/12/2021 [(7)]	LIBOR+1.10% [(5)(8)]	3.50%
$225M Term Loan Facility	225,000	(1,290)	225,000	(1,476)	1/14/2023	LIBOR+1.20% [(5)]	2.74% [(9)]
$150M Term Loan Facility	150,000	(947)	150,000	(1,028)	5/22/2025	LIBOR+1.50% [(5)]	4.01%
$100M Notes	100,000	(462)	100,000	(500)	8/6/2025	4.29%	4.37%
$125M Notes	125,000	(115)	125,000	(122)	7/13/2027	3.93%	3.94%
Total	$ 761,038	$ (3,361)	$ 761,116	$ (3,745)			

(1) Reflects the contractual interest rate under the terms of the loan, as of June 30, 2019.

(2) Reflects the effective interest rate as of June 30, 2019, which includes the effect of the amortization of discounts and debt issuance costs and the effect of interest rate swaps that are effective as of June 30, 2019.

(3) One 24-month extension is available at the borrower’s option, subject to certain terms and conditions.

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

(5) The LIBOR margin will range from 1.20% to 1.70% per annum for the $100.0 million term loan facility, 1.10% to 1.50% per annum for the unsecured revolving credit facility, 1.20% to 1.70% per annum for the $225.0 million term loan facility and 1.50% to 2.20% per annum for the $150 million term loan facility, depending on the leverage ratio, which is the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value which is measured on a quarterly basis.

(6) As of June 30, 2019, interest on the $100.0 million term loan facility has been effectively fixed through the use of an interest rate swap. See Note 7 for details.

(7) Two additional six-month extensions are available at the borrower’s option, subject to certain terms and conditions.

(8) 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% per annum depending upon our leverage ratio.

(9) As of June 30, 2019, interest on the $225.0 million term loan facility has been effectively fixed through the use of two interest rate swaps. See Note 7 for details.

Contractual Debt Maturities

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts and debt issuance costs, as of June 30, 2019, and does not consider extension options available to us as noted in the table above (in thousands):

July 1, 2019 - December 31, 2019	$	80
2020		166
2021		566
2022		100,967
2023		282,518
Thereafter		376,741
Total	$	761,038

Credit Facility

We have a $450.0 million senior unsecured credit facility (the “Credit Facility”), comprised of a $350.0 million unsecured revolving credit facility (the “Revolver”) and a $100.0 million unsecured term loan facility (the “$100 Million Term Loan Facility”). The Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available, and the $100 Million Term Loan Facility is scheduled to mature on February 14, 2022. Under the terms of the Credit Facility, we may request additional lender commitments up to an additional aggregate $550.0 million, which may be comprised of additional revolving commitments under the Revolver, an increase to the $100 Million Term Loan Facility, additional term loan tranches or any combination of the foregoing.

Interest on the Credit Facility 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 Revolver range in amount from 1.10% to 1.50% per annum for LIBOR-based loans and 0.10% to 0.50% per annum for Base Rate-based loans, depending on our leverage ratio. The margins for the $100 Million Term Facility range in amount from 1.20% to 1.70% per annum for LIBOR-based loans and 0.20% to 0.70% per annum for Base Rate-based loans, depending on our leverage ratio.

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

In addition to the interest payable on amounts outstanding under the Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on each lender's commitment amount under the Revolver, regardless of usage. The applicable facility fee will range in amount from 0.15% to 0.30% per annum, 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% per annum, depending on such rating.

The Credit Facility 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 Credit Facility is not secured by the Company’s properties or by equity interests in the subsidiaries that hold such properties.

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

The 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 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 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.

On June 30, 2019, we did not have any borrowings outstanding under the Revolver, leaving $350.0 million available for future borrowings.

Debt Covenants

The Credit Facility, our $225 million unsecured term loan facility (the "$225 Million Term Loan Facility"), our $150 million unsecured term loan facility (the "$150 Million Term Loan Facility"), our $100 million unsecured guaranteed senior notes (the "$100 Million Notes") and our $125 million unsecured guaranteed senior notes (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 Credit Facility, the $225 Million Term Loan Facility and the $150 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 1.5 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 1.00.

The Credit Facility, the $225 Million Term Loan Facility, the $150 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 "Senior 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 Senior 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 Senior 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 Senior Notes will become due and payable at the option of the purchasers. In addition, we are required to maintain at all times a credit rating on the Notes from either S&P, Moody's or Fitch. In October 2018, Fitch upgraded the investment grade rating of the Senior Notes to BBB from BBB- with a stable outlook.

Our $60 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 1.0.

We were in compliance with all of our required quarterly debt covenants as of June 30, 2019.

6. Operating Leases

Lessor

We lease industrial space to tenants primarily under non-cancelable operating leases that generally contain provisions for minimum base rents plus reimbursement for certain operating expenses. Total minimum lease payments are recognized in rental income on a straight-line basis over the term of the related lease and estimated reimbursements from tenants for real estate taxes, insurance, common area maintenance and other recoverable operating expenses are recognized in rental income in the period that the expenses are incurred.

We recognized $61.7 million and $119.6 million of rental income related to operating lease payments of which $10.0 million and $19.3 million were for variable lease payments for the three and six months ended June 30, 2019, respectively.

The following table sets forth the undiscounted cash flows for future minimum base rents to be received under operating leases as of June 30, 2019 (in thousands):

Twelve Months Ended June 30,		
2020	$	204,017
2021		174,525
2022		136,217
2023		106,590
2024		76,481
Thereafter		256,744
Total	$	954,574

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

Lessee

As of June 30, 2019, we leased a parcel of land located at 3340 North San Fernando Road under a long-term ground lease, with an expiration date of June 1, 2062, no options to renew, and ground rent, which reset every 10 years, equal to 8.0% of the fair market value of the land, subject to a minimum monthly rent of $12,000. On July 3, 2019, we both acquired the fee title to the parcel of land and assumed the related ground lease from the seller/lessor, such that we became both the ground lessor and the ground lessee under the ground lease.

We lease office space as part of conducting our day-to-day business. Our office space leases have remaining lease terms ranging from 1 to 6 years and some include options to renew. These renewal terms can extend the lease term from 3 to 5 years and are included in the lease term when it is reasonably certain that we will exercise the option.

Upon the adoption of ASC 842 on January 1, 2019, we recognized lease liabilities of $3.6 million (in “Accounts payable, accrued expenses and other liabilities”) and related ROU assets of $3.3 million (in “Other assets”) on our consolidated balance sheets, based on the present value of lease payments for the remaining term of our existing leases. Operating lease ROU assets and liabilities commencing after January 1, 2019 are recognized at commencement date based on the present value of lease payments over the lease term. As of June 30, 2019, total ROU assets and lease liabilities were approximately $6.3 million and $6.6 million, respectively. All operating lease expense is recognized on a straight-line basis over the lease term.

The tables below present financial information associated with our leases. This information is only presented as of, and for the three and six months ended June 30, 2019 because, as previously noted, we adopted ASC 842 on a prospective basis which does not require application to periods prior to adoption.

Lease Cost (in thousands)	**Three Months Ended June 30, 2019**		**Six Months Ended June 30, 2019**	
Operating lease cost[1]	$	285	$	545
Variable lease cost[1]		10		23
Sublease income[2]		(79)		(158)
Total lease cost	$	216	$	410

(1) Amounts are included in “General and administrative” and “Property expenses” in the accompanying consolidated statement of operations.

(2) Amount is included in “Rental income” in the accompanying consolidated statement of operations.

Other Information (in thousands)	**Three Months Ended June 30, 2019**		**Six Months Ended June 30, 2019**	
Cash paid for amounts included in the measurement of operating lease liabilities	$	283	$	522
Right-of-use assets obtained in exchange for new operating lease liabilities[1]	$	—	$	6,720

For the six months ended June 30, 2019, the reported amount includes $3.3 million for operating leases existing on January 1, 2019.

Lease Term and Discount Rate	**June 30, 2019**
Weighted-average remaining lease term	19 years
Weighted-average discount rate(1)	4.61%

(1) Because the rate implicit in each of our leases was not readily determinable, we used our incremental borrowing rate. In determining our incremental borrowing rate for each lease, we considered recent rates on secured borrowings, observable risk-free interest rates and credit spreads correlating to our creditworthiness, the impact of collateralization and the term of each of our lease agreements.

Maturities of lease liabilities as of June 30, 2019 were as follows (in thousands):

July 1, 2019 - December 31, 2019	$	511
2020		949
2021		1,032
2022		923
2023		951
Thereafter		6,426
Total undiscounted lease payments	$	10,792
Less imputed interest		(4,162)
Total lease liabilities	$	6,630

As we elected to apply the provisions of ASC 842 on a prospective basis, the following comparative period disclosure is being presented in accordance with ASC 840. The future minimum commitments under our office space leases and ground lease as of December 31, 2018, were as follows (in thousands):

		Office Leases		**Ground Lease**
2019	$	668	$	144
2020		257		144
2021		167		144
2022		—		144
2023		—		144
Thereafter		—		5,532
Total	$	1,092	$	6,252

2018 Rent Expense

We recognized rental expense for our ground lease of $36 thousand and $0.1 million for the three and six months ended June 30, 2018, respectively. We recognized rental expense for our office space leases of $0.2 million and $0.3 million for the three and six months ended June 30, 2018, respectively.

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 through 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 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 from AOCI into earnings in the period that the hedged forecasted transaction affects earnings.

The following table sets forth a summary of our interest rate swaps at June 30, 2019 and December 31, 2018 (dollars in thousands):

				Current Notional Value[1]		Fair Value of Interest Rate Derivative Assets /(Derivative Liabilities)[2]	
Derivative Instrument	Effective Date	Maturity Date	LIBOR Interest Strike Rate	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Interest Rate Swap	1/15/2015	2/15/2019	1.8260%	$ —	$ 30,000	$ —	$ 25
Interest Rate Swap	7/15/2015	2/15/2019	2.0100%	$ —	$ 28,108	$ —	$ 17
Interest Rate Swap	2/14/2018	1/14/2022	1.3490%	$ 125,000	$ 125,000	$ 864	$ 3,974
Interest Rate Swap	8/14/2018	1/14/2022	1.4060%	$ 100,000	$ 100,000	$ 550	$ 3,023
Interest Rate Swap	12/14/2018	8/14/2021	1.7640%	$ 100,000	$ 100,000	$ (236)	$ 1,731
Interest Rate Swap[3]	7/22/2019	11/22/2024	2.7625%	$ —	$ —	$ (8,435)	$ (2,351)

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

(2) The fair value of derivative assets are included in the line item "Interest rate swap asset" in the accompanying consolidated balance sheets and the fair value of (derivative liabilities) are included in the line item "Interest rate swap liability" in the accompanying consolidated balance sheets.

(3) On December 6, 2018, we entered into this interest rate swap to hedge the variable-rate interest payments associated with the $150 Million Term Loan Facility. This interest rate swap has a notional value of $150.0 million with an effective date of July 22, 2019, and a maturity date of November 22, 2024.

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest Rate Swaps in Cash Flow Hedging Relationships:				
Amount of (loss) gain recognized in AOCI on derivatives	$ (7,761)	$ 1,924	$ (12,036)	$ 6,170
Amount of gain reclassified from AOCI into earnings under "Interest expense"	$ 788	$ 182	$ 1,640	$ 108
Total interest expense presented in the Consolidated Statement of Operations in which the effects of cash flow hedges are recorded (line item "Interest expense")	$ 6,255	$ 6,452	$ 12,726	$ 12,304

During the next twelve months, we estimate that an additional $0.2 million will be reclassified from AOCI into earnings as an increase to interest expense.

Offsetting Derivatives

We enter into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. 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 June 30, 2019 and December 31, 2018.

The following tables present information about the potential effects of netting if we were to offset our interest rate swap assets and interest rate swap liabilities in the accompanying consolidated balance sheets as of June 30, 2019 and December 31, 2018 (in thousands).

				Gross Amounts Not Offset in the Balance Sheet		
Offsetting of Derivative Assets	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
June 30, 2019						
Interest rate swaps	$ 1,414	$ —	$ 1,414	$ —	$ —	$ 1,414
December 31, 2018						
Interest rate swaps	$ 8,770	$ —	$ 8,770	$ —	$ —	$ 8,770

				Gross Amounts Not Offset in the Balance Sheet		
Offsetting of Derivative Liabilities	**Gross Amounts of Recognized Liabilities**	**Gross Amounts Offset in the Balance Sheet**	**Net Amounts of Assets Presented in the Balance Sheet**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
June 30, 2019						
Interest rate swaps	$ (8,671)	$ —	$ (8,671)	$ —	$ —	$ (8,671)
December 31, 2018						
Interest rate swaps	$ (2,351)	$ —	$ (2,351)	$ —	$ —	$ (2,351)

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 June 30, 2019, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, we have determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth the estimated fair value of our interest rate swaps as of June 30, 2019 and December 31, 2018, 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)**
June 30, 2019				
Interest Rate Swap Asset	$ 1,414	$ —	$ 1,414	$ —
Interest Rate Swap Liability	$ (8,671)	$ —	$ (8,671)	$ —
December 31, 2018				
Interest Rate Swap Asset	$ 8,770	$ —	$ 8,770	$ —
Interest Rate Swap Liability	$ (2,351)	$ —	$ (2,351)	$ —

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 discount rates that best reflect current market rates for financings with similar characteristics and credit quality, and assuming each loan is outstanding through its respective contractual maturity date.

The table below sets forth the carrying value and the estimated fair value of our notes payable as of June 30, 2019 and December 31, 2018 (in thousands):

	Fair Value Measurement Using				
Liabilities	**Total Fair Value**	**Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Carrying Value**
Notes Payable at:					
June 30, 2019	$ 776,863	$ —	$ —	$ 776,863	$ 757,677
December 31, 2018	$ 759,491	$ —	$ —	$ 759,491	$ 757,371

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 June 30, 2019 and 2018, respectively, and $0.2 million and $0.2 million for the six months ended June 30, 2019 and 2018, 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 will generally 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 June 30, 2019, and December 31, 2018, we had a $0.7 million and $1.0 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 June 30, 2019, and December 31, 2018, we also had a $0.7 million and $1.0 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.

Tenant and Construction Related Commitments

As of June 30, 2019, we had commitments of approximately $9.6 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 June 30, 2019, 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 June 30, 2019, 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 six months ended June 30, 2019, no single tenant accounted for more than 5% of our total consolidated rental income.

11. Dispositions

The following table summarizes information related to the property that we sold during the six months ended June 30, 2019.

Property	Submarket	Date of Disposition	Rentable Square Feet	Contractual Sales Price[1] (in thousands)	Gain Recorded (in thousands)
2350-2384 Orangethorpe Avenue and 1631 Placentia Avenue	North Orange County	6/27/2019	62,395	$11,575	$4,810

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

12. Equity

Common Stock

On June 13, 2019, we established a new at-the-market equity offering program (the “$550 Million ATM Program”) pursuant to which we may sell from time to time up to an aggregate of $550.0 million of our common stock through sales agents. The $550 Million ATM Program replaces our previous $450.0 million at-the-market equity offering program which was established on February 19, 2019 (the “Prior ATM Program”). All $450.0 million of shares of our common stock available under the Prior ATM Program were sold prior to establishing the $550 Million ATM Program.

During the six months ended June 30, 2019, we sold a total of 12,809,666 shares of our common stock under the $550 Million ATM Program and the Prior ATM Program at a weighted average price of $36.27 per share, for gross proceeds of $464.7 million, and net proceeds of $457.7 million, after deducting the sales agents’ fee. As of June 30, 2019, we had the capacity to issue up to an additional $535.3 million of common stock under the $550 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 relate to interests in the Operating Partnership, represented by common units of partnership interests in the Operating Partnership (“OP Units”), fully-vested LTIP units, fully-vested performance units and Series 1 CPOP Units, as described below, that are not owned by us.

Operating Partnership Units

As of June 30, 2019, noncontrolling interests included of 1,883,319 OP Units and 539,910 fully-vested LTIP units and performance units and represented approximately 2.2% 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 six months ended June 30, 2019, 44,967 OP Units were converted into an equivalent number of shares of common stock, resulting in the reclassification of $0.3 million of noncontrolling interest to Rexford Industrial Realty, Inc.’s stockholders’ equity.

Preferred Units - Series 1 CPOP Units

On April 10, 2019, we acquired from an unaffiliated seller (the “Seller”) an industrial property located at 1515 East 15th Street for a purchase price of $28.1 million. In consideration for the property, we issued the Seller 593,960 newly issued 4.43937% Cumulative Redeemable Convertible Preferred Units of partnership interest in the Operating Partnership (“Series 1 CPOP Units”), valued at $27.4 million, plus the payment of certain closing costs, including $0.7 million of closing costs typically attributable to the Seller.

The transaction was priced based upon a common stock price of $31.56, equal to the trailing 30-day average closing price of our common stock as of the letter of intent date (the “Average Value”). Holders of Series 1 CPOP Units, when and as authorized by the Company as general partner of the Operating Partnership, are entitled to cumulative cash distributions at the rate of 4.43937% per annum of the $45.50952 per unit liquidation preference (a 44.2% conversion premium to the Average

Value described above), payable quarterly in arrears on or about the last day of March, June, September and December of each year, beginning on June 28, 2019. The holders of Series 1 CPOP Units are entitled to receive the liquidation preference, which is $45.50952 per unit and approximately $27.0 million in the aggregate for all of the Series 1 CPOP Units, before the holders of OP Units in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Operating Partnership.

The Series 1 CPOP Units are convertible (i) at the option of the holder anytime from time to time (the "Holder Conversion Right"), or (ii) at the option of the Operating Partnership, at any time on or after April 10, 2024 (the "Company Conversion Right"), in each case, into OP Units on a one-for-one basis, subject to adjustment to eliminate fractional units or to the extent that there are any accrued and unpaid distributions on the Series 1 CPOP Units. As noted above, 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 (the "Subsequent Redemption Right").

The Series 1 CPOP Units rank senior to the Operating Partnership's OP Units, on parity with the Operating Partnership's 5.875% series A and series B cumulative redeemable preferred units and with any future class or series of partnership interest of the Operating Partnership expressly designated as ranking on parity with the Series 1 CPOP Units, and junior to any other class or series of partnership interest of the Operating Partnership expressly designated as ranking senior to the Series 1 CPOP Units.

Pursuant to relevant accounting guidance, we analyzed the Series 1 CPOP Units for any embedded derivatives that should be bifurcated and accounted for separately and also considered the conditions that would require classification of the Series 1 CPOP Units in temporary equity versus permanent equity. In carrying out our analyses, we evaluated the key features of the Series 1 CPOP Units including the right to discretionary distributions, the Holder Conversion Right, the Company Conversion Right and the Subsequent Redemption Right to determine whether we control the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement if the Series 1 CPOP Units are converted into shares of our common stock (subsequent to conversion into OP Units). Based on the results of our analyses, we concluded that (i) none of the embedded features of the Series 1 CPOP Units require bifurcation and separate accounting, and (ii) the Series 1 CPOP Units met the criteria to be classified within equity, and accordingly are presented as noncontrolling interests within permanent equity in the consolidated balance sheet.

Amended and Restated 2013 Incentive Award Plan

On June 11, 2018, our stockholders approved the Amended and Restated Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the "Plan"), superseding and replacing the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the "Prior Plan"). Pursuant to the Plan, we may continue to 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 1,770,000, plus any shares that have not been issued under the Prior Plan, including shares subject to outstanding awards under the Prior Plan that are not issued or delivered to a participant for any reason or that are forfeited by a participant prior to vesting. As of June 30, 2019, a total of 1,674,651 shares of common stock, LTIP Units and Performance Units remain available for issuance. Shares and units granted under the Plan may be authorized but unissued shares or units, or, if authorized by the board of directors, shares purchased in the open market. If an award under the Plan is forfeited, expires, or is settled for cash, any shares or units subject to such award will generally be available for future awards.

LTIP Units and Performance Units

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 vested 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.

Share-Based Award Activity

The following table sets forth our share-based award activity for the six months ended June 30, 2019:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units
Balance at January 1, 2019	200,398	327,048	591,767
Granted	107,915	59,515	—
Forfeited	(9,701)	—	—
Vested[(1)]	(78,823)	(52,385)	—
Balance at June 30, 2019	219,789	334,178	591,767

(1) During the six months ended June 30, 2019, 23,771 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 June 30, 2019:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units[(1)]
July 1, 2019 - December 31, 2019	3,058	156,009	199,000
2020	89,928	120,001	188,250
2021	60,516	49,950	204,517
2022	43,536	5,660	—
2023	22,751	2,558	—
Total	219,789	334,178	591,767

(1)Represents the maximum number of Performance Units that would become earned and vested on December 28, 2019 and December 14, 2020, in the event that the specified maximum total shareholder return ("TSR") hurdles are achieved over the three-year performance period from December 29, 2016 through December 28, 2019 and the three-year performance period from December 15, 2017 through December 14, 2020, respectively, and the maximum number of Performance Units that would become earned and vested on December 31, 2021 in the event that the specified maximum TSR and FFO per share growth hurdles are achieved over the three-year performance period from January 1, 2019 through December 31, 2021.

Compensation Expense

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Expensed share-based compensation(1)	$ 2,709	$ 2,658	$ 5,288	$ 5,623
Capitalized share-based compensation(2)	42	59	76	110
Total share-based compensation	$ 2,751	$ 2,717	$ 5,364	$ 5,733

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

(2) For the three and six months ended June 30, 2018, amounts capitalized relate to employees who provide construction or leasing services, and are included in "Building and improvements" and "Deferred leasing costs, net" in the consolidated balance sheets. For the three and six months ended June 30, 2019, amounts capitalized only relate to employees who provide construction services, and are included in "Building and improvements" in the consolidated balance sheets.

As of June 30, 2019, total unrecognized compensation cost related to all unvested share-based awards was $14.3 million and is expected to be recognized over a weighted average remaining period of 27 months.

Changes in Accumulated Other Comprehensive Income

The following table summarizes the changes in our AOCI balance for the six months ended June 30, 2019 and 2018, which consists solely of adjustments related to our cash flow hedges (in thousands):

	Six Months Ended June 30,	
	2019	2018
Accumulated other comprehensive income - beginning balance	$ 6,262	$ 6,799
Other comprehensive (loss) income before reclassifications	(12,036)	6,170
Amounts reclassified from accumulated other comprehensive income to interest expense	(1,640)	(108)
Net current period other comprehensive (loss) income	(13,676)	6,062
Less other comprehensive loss (income) attributable to noncontrolling interests	313	(108)
Other comprehensive (loss) income attributable to common stockholders	(13,363)	5,954
Accumulated other comprehensive (loss) income - ending balance	$ (7,101)	$ 12,753

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 15,954	$ 7,819	$ 26,671	$ 22,903
Less: Preferred stock dividends	(2,424)	(2,424)	(4,847)	(4,847)
Less: Net income attributable to noncontrolling interests	(569)	(129)	(770)	(447)
Less: Net income attributable to participating securities	(113)	(94)	(227)	(191)
Net income attributable to common stockholders	$ 12,848	$ 5,172	$ 20,827	$ 17,418
Denominator:				
Weighted average shares of common stock outstanding – basic	105,847,557	82,924,208	102,115,849	80,820,870
Effect of dilutive securities - performance units	388,752	570,617	326,931	536,259
Weighted average shares of common stock outstanding – diluted	106,236,309	83,494,825	102,442,780	81,357,129
Earnings per share — Basic				
Net income attributable to common stockholders	$ 0.12	$ 0.06	$ 0.20	$ 0.22
Earnings per share — Diluted				
Net income attributable to common stockholders	$ 0.12	$ 0.06	$ 0.20	$ 0.21

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 achieving certain 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.

We also consider the effect of other potentially dilutive securities, including the Series 1 CPOP Units and 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

Note Purchase and Guarantee Agreement

On July 16, 2019, we entered into a Note Purchase and Guarantee Agreement (the "NPGA") which provides for the private placement of $100.0 million of guaranteed senior notes, of which (i) $25.0 million are designated as 3.88% Series 2019A Guaranteed Senior Notes due July 16, 2029 (the "Series 2019A Notes") and (ii) $75.0 million are designated as 4.03% Series 2019B Guaranteed Senior Notes due July 16, 2034 (the "Series 2019 B Notes" and, together with the Series 2019A Notes, the "Series 2019A and 2019B Notes"). On July 16, 2019, we completed the issuance of the Series 2019A and 2019B Notes.

Interest on the Series 2019A and 2019B Notes will be payable semiannually on the sixteenth day of January and July in each year, beginning on January 16, 2020, until maturity.

We may prepay at any time all, or from time to time any part of, the Series 2019A and 2019B Notes, in amounts not less than $2.5 million of the Series 2019A and 2019B Notes then outstanding at (i) 100% of the principal amount so prepaid and (ii) the Make-Whole Amount (as defined in the NPGA).

The NPGA contains a series of financial and other covenants with which we must comply. The financial covenants are the same as those that we must comply with under the Senior Notes (see Note 5). Subject to the terms of the NPGA, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, Make-Whole Amount or interest under the Series 2019A and 2019B Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in NPGA and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the Make-Whole Amount on the outstanding Series 2019A and 2019B Notes will become due and payable at the option of the holder of the Series 2019A and 2019B Notes.

Our obligations under the Series 2019A and 2019B Notes are fully and unconditionally guaranteed by us and certain of our subsidiaries.

Acquisitions

On July 3, 2019, we acquired the fee title to the parcel of land located at 3340 North San Fernando Road in Los Angeles, California for a contract price of $3.0 million. Prior to the acquisition, we leased the parcel of land from the seller under a long-term ground lease. See Note 6 for additional details related to the ground lease.

On July 31, 2019, we acquired the property located at 5725 Eastgate Drive in San Diego, California for a contract price of $8.2 million. The property consists of one single-tenant building with 27,267 rentable square feet.

Dividends Declared

On July 29, 2019, our board of directors declared a quarterly cash dividend of $0.185 per share of common stock and a quarterly cash distribution of $0.185 per OP Unit, to be paid on October 15, 2019, to holders of record as of September 30, 2019. Also, on July 29, 2019, our board of directors declared a quarterly cash dividend of $0.367188 per share of our 5.875% Series A Cumulative Redeemable Preferred Stock, a quarterly cash dividend of $0.367188 per share of our 5.875% Series B Cumulative Redeemable Preferred Stock and a quarterly cash distribution of $0.505085 per Series 1 CPOP Unit to be paid on September 30, 2019, to holders of record as of September 13, 2019.

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, 2018.

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 acquire, own, improve, develop, lease and manage 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 June 30, 2019, our consolidated portfolio consisted of 196 properties with approximately 23.9 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.0 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 or land parcels where we can enhance returns through value-add renovations and redevelopment or the development of new industrial buildings. Scarcity of available space and high barriers limiting new construction of for-lease product all contribute to create superior long-term supply/demand fundamentals within our target infill Southern California industrial property markets. With our vertically integrated operating platform and extensive value-add investment and management capabilities, we believe we are positioned to capitalize upon the opportunities in our markets to achieve our objectives.

2019 Year to Date Highlights

Acquisitions

- During the first quarter of 2019, we completed the acquisition of five properties with a combined 0.8 million rentable square feet, for an aggregate purchase price of $146.0 million.
- During the second quarter of 2019, we completed the acquisition of 16 properties with a combined 1.8 million rentable square feet, for an aggregate purchase price of $340.0 million.

Repositioning

- During the first quarter of 2019, we stabilized four of our properties located at 1998 Surveyor Avenue, 14748-14750 Nelson Avenue, 15401 Figueroa Street and 1332-1340 Rocky Point, with a combined 0.4 million rentable square feet
- During the second quarter of 2019, we leased our 43,787 rentable square foot property located at 1580 Carson Street with a lease commencement date of August 1, 2019, and we pre-leased two units totaling 25,320 rentable square feet at 3233 Mission Oaks Boulevard.

Dispositions

- During the second quarter of 2019, we sold one property with 62,395 rentable square feet for a gross sales price of $11.6 million and net cash proceeds of $11.1 million.

Equity

- During the first quarter of 2019, we sold 7,148,746 shares of common stock under our at-the-market equity offering program for gross proceeds of $248.4 million, or approximately $34.75 per share.
- During the second quarter of 2019, we sold 5,660,920 shares of common stock under our at-the-market equity offering program for gross proceeds of $216.3 million, or approximately $38.20 per share.
- In April 2019, in connection with the acquisition of the property located at 1515 East 15th Street, we issued to the seller 593,960 newly issued 4.43937% Cumulative Redeemable Convertible Preferred Units of partnership interest in the Operating Partnership ("Series 1 CPOP Units") valued at $27.4 million.

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, generally 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 at cyclically low levels and construction deliveries are falling short of demand. Meanwhile, underlying tenant demand within our infill target markets continues to demonstrate growth, illustrated or driven by strong re-leasing spreads, strong renewal activity, an expanding regional economy, 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, tax reform and changes to trade and tariff policies and the impact of rising interest rates, we continue to observe a number of positive trends within our target infill markets. Based on current observations within the Southern California industrial property market and within our property portfolio, we expect these positive trends will continue through the remainder of 2019.

In Los Angeles County, strong market fundamentals continued into the second quarter of 2019. High tenant demand kept vacancy at historically low levels and average asking lease rates increased quarter-over-quarter. Current market conditions indicate rents are likely to continue their upward trend through the remainder of 2019, as occupancy remains at near capacity levels and new development is limited by a lack of land availability and an increase in land and development costs.

In Orange County, market fundamentals remained favorable during the second quarter of 2019. With steady tenant demand and a continued low availability of industrial product in this region, average asking lease rates increased quarter-over-quarter and vacancy decreased slightly quarter-over-quarter. Current regional market conditions indicate continued rental growth through the remainder of 2019.

In San Diego, although there was a slight increase in vacancy quarter-over-quarter due to new supply entering the market, demand remained steady and average asking lease rates increased quarter-over-quarter.

In Ventura County, there was a decrease in vacancy quarter-over-quarter and asking lease rates were unchanged 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 remained at historically low levels and average asking lease rates increased slightly quarter-over-quarter. We expect the outlook for the Inland Empire West to be positive through the remainder of 2019. We generally do not focus on properties located within the Inland Empire East sub-market where available land and the development and construction pipeline for new supply is substantial.

Acquisitions and Value-Add Repositioning and Development 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. Additionally, from time to time, we may acquire land parcels or properties with excess land where we may construct new buildings, although we don't anticipate this to be a substantial part of our operations. Acquisitions may comprise single property investments as well as the purchase of portfolios of properties, with transaction values ranging from sub-$10 million dollar single-property investments to portfolios potentially valued in the billions of dollars. The Company's geographic focus remains infill Southern California. However, from time-to-time, portfolios could be acquired comprising a critical mass of infill Southern California industrial property that could include some assets located in markets outside of infill Southern California. In general, to the extent non-infill-Southern California assets were to be acquired as part of a larger portfolio, the Company may underwrite such investments with the potential to dispose such assets over a certain period of time in order to maximize its core focus on infill Southern California, while endeavoring to take appropriate steps to satisfy REIT safe harbor requirements to avoid prohibited transactions under REIT tax laws.

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 June 30, 2019, 11 of our properties were in various stages of repositioning or development and two of our properties were in the lease-up stage. In addition, we anticipate beginning repositioning work on one additional property in the near future. The table below sets forth a summary of these properties, as well the four properties that were stabilized during the first half of 2019 and the four properties that were stabilized during 2018, as the timing of these 2018 stabilizations have a direct impact on our current and comparative results of operations. In addition to the properties in the table below, we also have a range of smaller spaces in value-add repositioning or renovation, that due to their smaller size and relatively nominal amount of down-time, are not presented below, however, in the aggregate, may be substantial.

Property (Submarket)	Market	Same Properties Portfolio[2]	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/ Lease-up	Estimated New Development Rentable Square Feet	Estimated Construction Period[1] Start	Estimated Construction Period[1] Completion	Total Property Leased % at 6/30/19
Current Repositioning and Development:								
28901-28903 Avenue Paine - Development (SF Valley)	LA	N	—	—	115,817	3Q-2019	2Q-2020	—%
851 Lawrence Drive (Ventura)[3]	VC	N	49,976	49,976	39,294	2Q-2018	3Q-2020	—%
29003 Avenue Sherman (SF Valley)	LA	N	68,123	68,123	—	3Q-2018	3Q-2019	—%
16121 Carmenita Road (Mid-Counties)	LA	N	109,780	109,780	—	1Q-2019	3Q-2019	—%
12821 Knott Street (West OC)	OC	N	120,800	120,800	39,847	1Q-2019	3Q-2020	—%
2455 Conejo Spectrum Street (Ventura)[4]	VC	N	98,218	98,218	—	1Q-2019	4Q-2019	—%
635 8th Street (SF Valley)	LA	N	72,250	72,250	—	2Q-2019	1Q-2020	—%
10015 Waples Court (Central SD)	SD	N	106,412	106,412	—	2Q-2019	1Q-2020	—%
The Merge - Development (Inland Empire West)[5]	SB	N	—	—	333,491	2Q-2019	2Q-2020	—%
3233 Mission Oaks Boulevard - Unit 3233 (Ventura)[6]	VC	Y	461,717	109,636	—	2Q-2017	3Q-2019	78%
7110 E. Rosecrans Avenue - Unit B (South Bay)	LA	Y	74,856	37,417	—	1Q-2019	3Q-2019	50%
Total			1,162,132	772,612	528,449			
Lease-up Stage:								
2722 Fairview Street (OC Airport)	OC	Y	116,575	58,802	—	1Q-2018	4Q-2018	50%
1580 Carson Street (South Bay)[7]	LA	N	43,787	43,787	—	2Q-2018	4Q-2018	100%[7]
Total			160,362	102,589	—			
Future Repositioning:								
9615 Norwalk Boulevard (Mid-Counties)[8]	LA	Y	38,362	—	201,808	3Q-2020	2021	69%
Total Current Repositioning and Development, Lease-up Stage and Future Repositioning				875,201	730,257			

Stabilized:[9]	Market	Same Properties Portfolio[2]	Stabilized Rentable Square Feet			Stabilized Period	Total Property Leased % at 6/30/19
14748-14750 Nelson Avenue - (San Gabriel Valley)	LA	Y	201,990	—	—	1Q-2019	95%
1998 Surveyor Avenue (Ventura)	VC	N	56,306	—	—	1Q-2019	100%
15401 Figueroa Street (South Bay)	LA	Y	38,584	—	—	1Q-2019	100%
1332-1340 Rocky Pt. Dr. (North SD)	SD	N	73,747	—	—	1Q-2019	100%
Total 2019 Stabilized			370,627				
3233 Mission Oaks Boulevard - Unit H (Ventura)	VC	Y	43,927	—	—	1Q-2018	78%
1601 Alton Parkway (OC Airport)	OC	Y	124,988	—	—	3Q-2018	100%
301-445 Figueroa Street (South Bay)	LA	Y	133,650	—	—	3Q-2018	100%
28903 Avenue Paine - Repositioning (SF Valley)	LA	Y	111,935	—	—	4Q-2018	100%
Total 2018 Stabilized			414,500				

(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) Our “Same Properties Portfolio” is a subset of our consolidated portfolio and includes all properties that were wholly-owned by us as of January 1, 2018, and still owned by us as of June 30, 2019. A property with a “Y” indicates its inclusion in the Same Properties Portfolio and a property with a “N” indicates its exclusion from the Same Properties Portfolio.

(3) We expect to demolish the existing 49,976 rentable square foot building at 851 Lawrence Drive and construct a new 89,270 rentable square foot multi-unit building.

(4) We acquired Conejo Spectrum Business Park, a nine-building property during the first quarter of 2019. Information presented in this table relates to one of the nine buildings, located at 2455 Conejo Spectrum Street.

(5) The Merge is a fully entitled industrial development site on which we plan to build six industrial buildings totaling 333,491 rentable square feet.

(6) As of June 30, 2019, we are repositioning space aggregating 109,636 rentable square feet at 3233 Mission Oaks Boulevard. Upon completion the space will be comprised of eight units. As of June 30, 2019, two units totaling 25,320 rentable square feet have been pre-leased.

(7) As of June 30, 2019, 1580 Carson Street has been leased with a lease commencement date of August 1, 2019.

(8) 9615 Norwalk Boulevard is a 10.26 acres storage-yard with three buildings totaling 38,362 rentable square feet. In January 2019, we converted the tenant’s month to month land lease to a term lease with an expiration date of June 30, 2020. We will demolish the existing buildings and construct a new 201,808 rentable square foot building upon termination of the land lease.

(9) We consider a repositioning property to be stabilized at the earlier of the following: (i) upon reaching 90% occupancy or one year from the date of completion of repositioning construction work.

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 redevelopment 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 \$1.1 million and \$1.7 million of interest expense and \$0.4 million and \$0.6 million of insurance and real estate tax expenses during the three and six months ended June 30, 2019, respectively, related to our repositioning and redevelopment projects.

Rental Revenues

Our operating results depend primarily upon generating rental revenue from the properties in our 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 June 30, 2019, our consolidated portfolio, inclusive of space in repositioning as described in the subsequent paragraph, was approximately 94.2% occupied, while our stabilized consolidated portfolio exclusive of such space was approximately 97.8% 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 and development projects that are currently under construction.

As summarized in the table under “*Acquisitions and Value-Add Repositioning and Development of Properties*” above, as of June 30, 2019, 11 of our properties with a combined 0.9 million vacant rentable square feet are in current repositioning or lease-up. Vacant repositioning space and lease-up space at these 11 properties are concentrated in our Los Angeles, Orange County, Ventura and San Diego markets, and represent 3.7% of our total consolidated portfolio square footage as of June 30, 2019. Including vacant repositioning space and lease-up space at these 11 properties, our weighted average occupancy rate as of June 30, 2019, in Los Angeles, Orange County, Ventura and San Diego was 96.0%, 90.9%, 85.1% and 92.5%, respectively. Excluding vacant repositioning space and lease-up space at these 11 properties, our weighted average occupancy rate as of June 30, 2019, in these markets was 98.7%, 97.0%, 95.4% and 96.5%, respectively. We believe that an important portion of our long-term future growth will come from the completion of these projects currently under repositioning, as well as through the identification or acquisition 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.

The occupancy rate of properties not undergoing repositioning is affected by regional and local economic conditions in our Southern California infill markets. In recent years, the Los Angeles, Orange and San Diego county markets have continued to show historically low vacancy and positive absorption, resulting from high tenant demand combined with low product availability. Accordingly, our properties in these markets have exhibited a similar trend. We expect general market conditions to remain positive throughout the remainder of 2019, and believe the opportunity to increase occupancy and rental rates at our properties will be an important driver of future revenue growth.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases for the six months ended June 30, 2019:

	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)**
Q1-2019	51	527,869	4.1	$	10.65	36.5%	26.4%
Q2-2019	50	651,023	6.9	$	11.91	45.6%	28.4%
Total/Weighted Average	**101**	**1,178,892**	**5.7**	**$**	**11.35**	**40.2%**	**27.2%**

	Renewal Leases							Expired Leases		Retention %(7)
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)**	**Rentable Square Feet**
Q1-2019	52	604,014	3.7	$	12.44	22.0%	13.5%	106	1,049,012	69.7%
Q2-2019	56	1,069,391	5.5	$	10.98	38.1%	21.0%	89	1,289,743	85.4%
Total/Weighted Average	**108**	**1,673,405**	**4.8**	**$**	**11.50**	**31.4%**	**17.9%**	**195**	**2,338,755**	**78.9%**

(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 six months ended June 30, 2019, exclude 27 leases aggregating 630,632 rentable square feet for which there was no comparable lease data. Of these 27 excluded leases, eight leases aggregating 178,092 rentable square feet are leases of recently repositioned space. 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 or (iv) space with lease terms shorter than six months.

(5) The GAAP and cash re-leasing rent spreads for renewal leases executed during the six months ended June 30, 2019, exclude three leases for 18,670 rentable square feet for which 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 two leases totaling 132,650 rentable square feet that expired during the six months ended June 30, 2019, 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 expiring 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 six months ended June 30, 2019, we stabilized 14748-14750 Nelson Avenue, 1998 Surveyor Avenue, 15401 Figueroa Street and 1332-1340 Rocky Point Drive with a combined 370,627 rentable square feet. As of June 30, 2019, we have nine current repositioning projects and two development projects with estimated construction completion periods ranging from the third quarter of 2019 to the third quarter of 2020. Additionally, we have two properties in the lease-up stage, one of which is located at 1580 Carson Street, and has been leased with a lease commencement date of August 1, 2019. We expect these properties to have positive impacts on our leasing activity and revenue generation as we complete our value-add repositioning plans and place these properties in service.

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 June 30, 2019, for each of the 10 full and partial calendar years beginning with 2019 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)
Vacant(5)	—	603,301	2.5%	$ —	—%	$ —
Current Repositioning(6)	—	772,612	3.2%	$ —	—%	$ —
MTM Tenants(7)	64	67,473	0.3%	$ 1,145	0.5%	$ 16.97
Remainder of 2019	149	1,138,173	4.8%	$ 10,980	5.2%	$ 9.65
2020	340	4,339,483	18.2%	$ 38,812	18.2%	$ 8.94
2021	320	4,807,986	20.1%	$ 43,429	20.4%	$ 9.03
2022	248	3,041,844	12.7%	$ 29,228	13.7%	$ 9.61
2023	136	2,578,738	10.8%	$ 27,567	13.0%	$ 10.69
2024	82	2,452,123	10.3%	$ 24,481	11.5%	$ 9.98
2025	18	826,455	3.5%	$ 7,224	3.4%	$ 8.74
2026	11	569,029	2.4%	$ 5,877	2.8%	$ 10.33
2027	7	252,538	1.0%	$ 2,522	1.2%	$ 9.99
2028	6	348,447	1.5%	$ 3,208	1.5%	$ 9.21
Thereafter	11	2,076,292	8.7%	$ 18,352	8.6%	$ 8.84
Total Consolidated Portfolio	1,392	23,874,494	100.0%	$ 212,825	100.0%	$ 9.46

(1) Represents the contracted square footage upon expiration.

(2) Calculated as monthly contracted base rent (before rent abatements) per the terms of such lease, as of June 30, 2019, multiplied by 12. Excludes billboard and antenna revenue. Amounts in thousands.

(3) Calculated as annualized base rent set forth in this table divided by annualized base rent for the total portfolio as of June 30, 2019.

(4) Calculated as annualized base rent for such leases divided by the occupied square feet for such leases as of June 30, 2019.

(5) Represents vacant space (not under repositioning) as of June 30, 2019. Includes new leases aggregating 111,959 rentable square feet that have been signed but had not yet commenced as of June 30, 2019.

(6) Represents vacant space at nine of our properties that were classified as current repositioning as of June 30, 2019. Refer to the table under "*Acquisitions and Value-Add Repositioning of Properties"* for a summary of these properties. Excludes development properties, stabilized properties and properties in lease-up.

(7) Represents tenants under month-to-month ("MTM") leases or having holdover tenancy. Of the 64 MTM leases, 59 MTM leases aggregating 63,290 rentable square feet are 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 June 30, 2019, in addition to 0.6 million rentable square feet of currently available space in our portfolio and 0.8 million rentable square feet of vacant space under current repositioning, leases representing 4.8% and 18.2% of the aggregate rentable square footage of our portfolio are scheduled to expire during the remainder of 2019 and 2020, respectively. During the six months ended June 30, 2019, we renewed 108 leases for 1,673,405 rentable square feet, resulting in a 78.9% retention rate. Our retention rate during the period was impacted by the combination of low vacancy and high demand in many of our key markets. During the six months ended June 30, 2019, new and renewal leases had a weighted average term of 5.7 and 4.8 years, respectively, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the remainder of 2019 and 2020 represent approximately 5.2% and 18.2% respectively, of the total annualized base rent for our portfolio as of June 30, 2019. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire during the remainder of 2019 and 2020 are currently below current market asking rates, 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 and that these positive trends will provide a favorable environment for additional increases in lease renewal rates. Accordingly, we expect the remainder of 2019 will show positive renewal rates and leasing spreads. We also currently do not see any reason not to expect that 2020 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 June 30, 2019, 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 three and six months ended June 30, 2019 and 2018.

New Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for disclosure related to the adoption of Accounting Standards Codification Topic 842, Leases ("ASC 842").

Critical Accounting Policies

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.

In our 2018 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.

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 six months ended June 30, 2019 and 2018, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2018, and still owned by us as of June 30, 2019, which consisted of 146 properties aggregating approximately 18.3 million rentable square feet. Results for our Same Properties Portfolio exclude any properties that were acquired or sold during the period from January 1, 2018 through June 30, 2019, interest income, interest expense and corporate general and administrative expenses. In addition to the properties included in our Same Properties Portfolio, our Total Portfolio includes the 51 properties aggregating approximately 5.6 million rentable square feet that were purchased between January 1, 2018 and June 30, 2019, and the nine properties aggregating approximately 0.3 million rentable square feet that were sold between January 1, 2018 and June 30, 2019.

As of June 30, 2019 and 2018, our Same Properties Portfolio occupancy was approximately 96.8% and 95.3%, respectively. For the three months ended June 30, 2019 and 2018, our Same Properties Portfolio weighted average occupancy was approximately 96.8% and 95.4%, respectively. Comparatively, for the six months ended June 30, 2019 and 2018, our Same Properties Portfolio weighted average occupancy was approximately 96.5% and 95.5%, respectively. These occupancy changes were partially driven by the completion of repositioning and development work and subsequent lease-up of space at the following five properties in our Same Properties Portfolio during the period from January 1, 2018 through June 30, 2019: (i) 14748-14750 Nelson Avenue, (ii) 3233 Mission Oaks Boulevard - Unit H, (iii) 301-445 Figueroa Street, (iv) 28903 Avenue Paine and (v) 15401 Figueroa Street (collectively, the "SPP Stabilized Properties").

Comparison of the Three Months Ended June 30, 2019 to the Three Months Ended June 30, 2018

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the three months ended June 30, 2019 and 2018 (dollars in thousands):

	Same Properties Portfolio				**Total Portfolio**			
	Three Months Ended June 30,				**Three Months Ended June 30,**			
	2019	**2018**	**Increase/(Decrease)**	**% Change**	**2019**	**2018**	**Increase/(Decrease)**	**% Change**
REVENUES								
Rental income	$ 50,743	$ 48,219	$ 2,524	5.2 %	$ 63,613	$ 51,616	$ 11,997	23.2 %
Management, leasing and development services	—	—	—	— %	109	140	(31)	(22.1)%
Interest income	—	—	—	— %	668	—	668	— %
TOTAL REVENUES	50,743	48,219	2,524	5.2 %	64,390	51,756	12,634	24.4 %
OPERATING EXPENSES								
Property expenses	11,953	11,904	49	0.4 %	15,139	12,775	2,364	18.5 %
General and administrative	—	—	—	— %	7,301	6,506	795	12.2 %
Depreciation and amortization	17,837	17,883	(46)	(0.3)%	24,522	19,775	4,747	24.0 %
TOTAL OPERATING EXPENSES	29,790	29,787	3	— %	46,962	39,056	7,906	20.2 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	29	37	(8)	(21.6)%
Interest expense	—	—	—	— %	6,255	6,452	(197)	(3.1)%
TOTAL EXPENSES	29,790	29,787	3	— %	53,246	45,545	7,701	16.9 %
Gains on sale of real estate	—	—	—		4,810	1,608	3,202	
NET INCOME	$ 20,953	$ 18,432	$ 2,521		$ 15,954	$ 7,819	$ 8,135	

Rental Income

On January 1, 2019, we adopted ASC 842 using the modified retrospective approach and elected the “non-separation practical expedient” in ASC 842 that alleviates the requirement to separately present lease and non-lease components of lease contracts if certain criteria are met. As a result, we account for and present all rental income earned pursuant to tenant leases, including tenant reimbursements, as a single component in one line, “Rental income,” in our consolidated statements of operations. Prior to the adoption ASC 842, we presented rental revenue, tenant reimbursements and other income related to leases separately in our consolidated statements of operations. However, to facilitate comparability, we have reclassified 2018 amounts to conform with 2019 presentation.

The following table reports the breakdown of 2019 rental income, as reported prior to the adoption of ASC 842, and compares this breakdown with 2018 amounts for the comparable period (dollars in thousands). We believe that the below presentation of rental income is not, and is not intended to be, a presentation in accordance with GAAP. We are presenting this information because we believe it is frequently used by management, investors, securities analysts and other interested parties to evaluate the Company’s performance.

	Same Properties Portfolio				Total Portfolio			
	Three Months Ended June 30,			%	Three Months Ended June 30,			%
Category	2019	2018	Increase/(Decrease)	Change	2019	2018	Increase/(Decrease)	Change
Rental revenue[1]	$ 42,947	$ 40,621	$ 2,326	5.7%	$ 53,599	$ 43,567	$ 10,032	23.0%
Tenant reimbursements [2]	7,590	7,497	93	1.2%	9,776	7,932	1,844	23.2%
Other income[3]	206	101	105	104.0%	238	117	121	103.4%
Rental income	$ 50,743	$ 48,219	$ 2,524	5.2%	$ 63,613	$ 51,616	$ 11,997	23.2%

Our Same Properties Portfolio and Total Portfolio rental income increased by $2.5 million, or 5.2%, and $12.0 million, or 23.2%, respectively, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, for the reasons described below:

(1) Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by $2.3 million, or 5.7%, and $10.0 million, or 23.0%, respectively, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018. The increase in our Same Properties Portfolio rental revenue is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods, which was partially driven by the lease-up of the five SPP Stabilized Properties, and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the incremental revenues from the 51 properties we acquired between January 1, 2018, and June 30, 2019.

(2) Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased by $0.1 million, or 1.2%, and $1.8 million, or 23.2%, respectively, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018. The increase in our Same Properties Portfolio tenant reimbursement revenue is primarily due to an increase in the weighted average occupancy for comparable periods, which was partially driven by the lease-up of the five SPP Stabilized Properties. This increase was partially offset by a decrease in tenant reimbursements revenue due to timing differences in completing prior year recoverable expense reconciliations for comparable periods and the adoption of ASC 842 and the related change in reporting for real estate taxes that are paid directly by a lessee to a third party, from a gross basis to a net basis, at three of our properties. Under ASC 842, real estate taxes paid by tenants directly to the taxing authorities are reported on a net basis, which means that we do not report tenant reimbursement revenue or a corresponding expense for such amounts. Prior to January 1, 2019, under prior lease accounting (ASC 840), we reported real estate taxes paid by tenants directly to the taxing authorities on a gross basis, which means that we reported both tenant reimbursement revenue and a corresponding expense for such amounts. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 51 properties we acquired between January 1, 2018 and June 30, 2019.

(3) Other Income

Our Same Properties Portfolio and Total Portfolio other income increased by $0.1 million, or 104.0%, and $0.1 million, or 103.4%, respectively, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, primarily due to an increase in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by $31 thousand, or 22.1%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018.

Interest Income

Interest income increased from zero to $0.7 million during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, due to the investment of excess cash in money market accounts during the current period.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by $49.0 thousand, or 0.4%, and $2.4 million, or 18.5%, respectively, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018. The increase in our Same Properties Portfolio property expenses is primarily due to increases in allocated overhead costs and real estate tax expense relating to California Proposition 13 annual increases and lower capitalized real estate tax expense related to repositioning activity. These increases were partially offset by decreases in repairs and maintenance expense and real estate tax expense due to the adoption of ASC 842 and the change in reporting for real estate taxes that are paid directly by a lessee to a third party, from a gross basis to a net basis at three of our properties. Our Total Portfolio property expenses were also impacted by incremental expenses from the 51 properties we acquired between January 1, 2018, and June 30, 2019.

General and Administrative

Our Total Portfolio general and administrative expenses increased by $0.8 million, or 12.2%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, primarily due to an increases in non-cash equity compensation expense, accrued bonus expense, payroll related costs due to a higher headcount, and other various corporate expenses, partially offset by a decrease in legal expense.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by $46.0 thousand, or 0.3%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, primarily due to acquisition-related tenant improvements and in-place lease intangibles becoming fully depreciated at certain of our properties subsequent to April 1, 2018, partially offset by an increase in depreciation expense related to capital improvements placed into service subsequent to April 1, 2018. Our Total Portfolio depreciation and amortization expense increased $4.7 million, or 24.0%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, primarily due to the incremental expense from the 51 properties we acquired between January 1, 2018, and June 30, 2019.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by $8 thousand, or 21.6%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018.

Interest Expense

Our Total Portfolio interest expense decreased by $0.2 million, or 3.1%, during the three months ended June 30, 2019, compared to the three months ended June 30, 2018, primarily due to a $0.6 million decrease in interest related to lower average outstanding borrowings on our unsecured revolving credit facility and a $0.5 million increase in capitalized interest related to our repositioning and development properties, partially offset by a $0.9 million increase in interest related to the $150.0 million term loan facility borrowing we made in May 2018.

Gains on Sale of Real Estate

During the three months ended June 30, 2019, we recognized gains on sale of real estate of $4.8 million from the disposition of one property that was sold for a gross sale price of $11.6 million. During the three months ended June 30, 2018, we recognized gains on sale of real estate of $1.6 million from the disposition of two properties that were sold for an aggregate gross sales price of $10.7 million.

Comparison of the Six Months Ended June 30, 2019 to the Six Months Ended June 30, 2018

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the six months ended June 30, 2019 and 2018 (dollars in thousands):

	Same Properties Portfolio				Total Portfolio			
	Six Months Ended June 30,		Increase/ (Decrease)	% Change	Six Months Ended June 30,		Increase/ (Decrease)	% Change
	2019	2018			2019	2018		
REVENUES								
Rental income	$ 101,086	$ 95,750	$ 5,336	5.6 %	$ 123,217	$ 100,049	$ 23,168	23.2 %
Management, leasing and development services	—	—	—	— %	211	243	(32)	(13.2)%
Interest income	—	—	—	— %	1,325	—	1,325	— %
TOTAL REVENUES	101,086	95,750	5,336	5.6 %	124,753	100,292	24,461	24.4 %
OPERATING EXPENSES								
Property expenses	23,706	23,593	113	0.5 %	28,951	24,735	4,216	17.0 %
General and administrative	—	—	—	— %	14,645	12,668	1,977	15.6 %
Depreciation and amortization	35,196	36,636	(1,440)	(3.9)%	46,518	39,227	7,291	18.6 %
TOTAL OPERATING EXPENSES	58,902	60,229	(1,327)	(2.2)%	90,114	76,630	13,484	17.6 %
OTHER EXPENSE								
Acquisition expenses	—	—	—	— %	52	46	6	13.0 %
Interest expense	—	—	—	— %	12,726	12,304	422	3.4 %
TOTAL OTHER EXPENSE	—	—	—	— %	12,778	12,350	428	3.5 %
TOTAL EXPENSES	58,902	60,229	(1,327)	(2.2)%	102,892	88,980	13,912	15.6 %
Gains on sale of real estate	—	—	—		4,810	11,591	(6,781)	
NET INCOME	$ 42,184	$ 35,521	$ 6,663		$ 26,671	$ 22,903	$ 3,768	

Rental Income

The following table reports the breakdown of 2019 rental income, as reported prior to the adoption of ASC 842, and compares this breakdown with 2018 amounts for the comparable period (dollars in thousands). We believe that the below presentation of rental income is not, and is not intended to be, a presentation in accordance with GAAP. We are presenting this information because we believe it is frequently used by management, investors, securities analysts and other interested parties to evaluate the Company's performance.

	Same Properties Portfolio				Total Portfolio			
	Six Months Ended June 30,			%	Six Months Ended June 30,			%
Category	2019	2018	Increase/(Decrease)	Change	2019	2018	Increase/(Decrease)	Change
Rental revenue[(1)]	$ 85,358	$ 80,663	$ 4,695	5.8%	$ 103,885	$ 84,478	$ 19,407	23.0%
Tenant reimbursements [(2)]	15,266	14,735	531	3.6%	18,817	15,225	3,592	23.6%
Other income[(3)]	462	352	110	31.3%	515	346	169	48.8%
Rental income	$ 101,086	$ 95,750	$ 5,336	5.6%	$ 123,217	$ 100,049	$ 23,168	23.2%

Our Same Properties Portfolio and Total Portfolio rental income increased by $5.3 million, or 5.6%, and $23.2 million, or 23.2%, respectively, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, for the reasons described below:

(1) Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by $4.7 million, or 5.8%, and $19.4 million, or 23.0%, respectively, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018. The increase in our Same Properties Portfolio rental revenue is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods, which was partially driven by the lease-up of the five SPP Stabilized Properties, and 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 51 properties we acquired between January 1, 2018, and June 30, 2019.

(2) Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased by $0.5 million, or 3.6%, and $3.6 million, or 23.6%, respectively, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to an increase in the weighted average occupancy for comparable periods, which was partially driven by the lease-up of the five SPP Stabilized Properties, and timing differences in completing prior year recoverable expense reconciliations for comparable periods. These increases were partially offset by a decrease in tenant reimbursements revenue due to the adoption of ASC 842 and the related change in reporting for real estate taxes that are paid directly by a lessee to a third party, from a gross basis to a net basis, at three of our properties. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 51 properties we acquired between January 1, 2018 and June 30, 2019.

(3) Other Income

Our Same Properties Portfolio and Total Portfolio other income increased by $0.1 million, or 31.3%, and $0.2 million, or 48.8%, respectively, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily due to an increase in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by $32 thousand, or 13.2%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018.

Interest Income

Interest income increased from zero to $1.3 million during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, due to the investment of excess cash in money market accounts during the current period.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by $0.1 million, or 0.5%, and $4.2 million, or 17.0%, respectively, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018. The increase in our Same Properties Portfolio property expenses is primarily due to increases in allocated overhead costs, real estate tax expense relating to California Proposition 13 annual increases and lower capitalized real estate tax expense related to repositioning activity, and insurance expense. These increases were partially offset by decreases in repairs and maintenance expense and real estate tax expense due to the adoption of ASC 842 and the change in reporting for real estate taxes that are paid directly by a lessee to a third party, from a gross basis to a net basis at three of our properties. Our Total Portfolio property expenses were also impacted by incremental expenses from the 51 properties we acquired between January 1, 2018, and June 30, 2019.

General and Administrative

Our Total Portfolio general and administrative expenses increased by $2.0 million, or 15.6%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily due to increases in payroll related costs due to a higher headcount, non-cash equity compensation expense, accrued bonus expense and other various corporate expenses, partially offset by a decrease in legal expense.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by $1.4 million, or 3.9%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily due to acquisition-related tenant improvements and in-place lease intangibles becoming fully depreciated at certain of our properties subsequent to January 1, 2018, partially offset by an increase in depreciation expense related to capital improvements placed into service subsequent to January 1, 2018. Our Total Portfolio depreciation and amortization expense increased $7.3 million, or 18.6%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily due to the incremental expense from the 51 properties we acquired between January 1, 2018, and June 30, 2019, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses increased by $6 thousand, or 13.0%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018.

Interest Expense

Our Total Portfolio interest expense increased by $0.4 million, or 3.4%, during the six months ended June 30, 2019, compared to the six months ended June 30, 2018, primarily due to a $2.4 million increase in interest related to the $150.0 million term loan facility borrowing we made in May 2018, partially offset by a $1.1 million decrease in interest related to lower average outstanding borrowings on our unsecured revolving credit facility and a $0.7 million increase in capitalized interest related to our repositioning and development properties.

Gains on Sale of Real Estate

During the six months ended June 30, 2019, we recognized gains on sale of real estate of $4.8 million from the disposition of one property that was sold for a gross sales price of $11.6 million. During the six months ended June 30, 2018, we recognized gains on sale of real estate of $11.6 million from the disposition of five properties that were sold for an aggregate gross sales price of $37.6 million.

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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 15,954	$ 7,819	$ 26,671	$ 22,903
Add:				
Depreciation and amortization	24,522	19,775	46,518	39,227
Deduct:				
Gains on sale of real estate	4,810	1,608	4,810	11,591
Funds From Operations (FFO)	$ 35,666	$ 25,986	$ 68,379	$ 50,539
Less: preferred stock dividends	(2,424)	(2,424)	(4,847)	(4,847)
Less: FFO attributable to noncontrolling interest(1)	(1,021)	(562)	(1,754)	(1,119)
Less: FFO attributable to participating securities(2)	(182)	(153)	(358)	(311)
FFO attributable to common stockholders	$ 32,039	$ 22,847	$ 61,420	$ 44,262

(1) Noncontrolling interests represent (i) holders of outstanding common units of the Company's Operating Partnership that are owned by unit holders other than the Company and (ii) holders of Series 1 CPOP Units.

(2) 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 rental 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 the following items 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 June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Rental income	63,613	51,616	123,217	100,049
Property expenses	15,139	12,775	28,951	24,735
Net Operating Income	$ 48,474	$ 38,841	$ 94,266	$ 75,314
Amortization of (below) above market lease intangibles, net	(1,900)	(1,616)	(3,651)	(2,732)
Straight line rental revenue adjustment	(1,241)	(1,673)	(3,308)	(3,642)
Cash Net Operating Income	$ 45,333	$ 35,552	$ 87,307	$ 68,940

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 June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net income	$ 15,954	$ 7,819	$ 26,671	$ 22,903
Add:				
General and administrative	7,301	6,506	14,645	12,668
Depreciation and amortization	24,522	19,775	46,518	39,227
Acquisition expenses	29	37	52	46
Interest expense	6,255	6,452	12,726	12,304
Deduct:				
Management, leasing and development services	109	140	211	243
Interest income	668	—	1,325	—
Gains on sale of real estate	4,810	1,608	4,810	11,591
Net Operating Income	$ 48,474	$ 38,841	$ 94,266	$ 75,314
Amortization of (below) above market lease intangibles, net	(1,900)	(1,616)	(3,651)	(2,732)
Straight line rental revenue adjustment	(1,241)	(1,673)	(3,308)	(3,642)
Cash Net Operating Income	$ 45,333	$ 35,552	$ 87,307	$ 68,940

Non-GAAP Supplemental Measure: EBITDA*re*

We calculate earnings before interest expense, income taxes, depreciation and amortization for real estate ("EBITDA*re*") in accordance with the standards established by NAREIT. EBITDA*re* is calculated as net income (loss) (computed in accordance with GAAP), before interest expense, income tax expense, depreciation and amortization, gains (or losses) from sales of depreciable operating property, impairment losses and adjustments for unconsolidated joint ventures.

We believe that EBITDA*re* 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 properties. We also use this measure in ratios to compare our performance to that of our industry peers. In addition, we believe EBITDA*re* is frequently used by securities analysts, investors and other interested parties in the evaluation of equity REITs. However, our industry peers may not calculate EBITDA*re* in accordance with the NAREIT definition as we do and, accordingly, our EBITDA*re* may not be comparable to our peers' EBITDA*re*. Accordingly, EBITDA*re* 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*re* (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	$ 15,954	$ 7,819	$ 26,671	$ 22,903
Interest expense	6,255	6,452	12,726	12,304
Depreciation and amortization	24,522	19,775	46,518	39,227
Gains on sale of real estate	(4,810)	(1,608)	(4,810)	(11,591)
EBITDA*re*	$ 41,921	$ 32,438	$ 81,105	$ 62,843

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 unsecured and secured 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 June 30, 2019, our cash and cash equivalents were $172.2 million, and we did not have any borrowings outstanding under our unsecured revolving credit facility, leaving $350.0 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 June 13, 2019, we established a new at-the-market equity offering program (the “$550 Million ATM Program”) pursuant to which we may sell from time to time up to an aggregate of $550.0 million of our common stock through sales agents. The $550 Million ATM Program replaces our previous $450.0 million at-the-market equity offering program which was established on February 19, 2019 (the “Prior ATM Program”). Substantially all $450.0 million of shares of our common stock available under the Prior ATM Program were sold prior to establishing the $550 Million ATM Program.

During the six months ended June 30, 2019, we sold a total of 12,809,666 shares of our common stock under the $550 Million ATM Program and the Prior ATM Program at a weighted average price of $36.27 per share, for gross proceeds of $464.7 million, and net proceeds of $457.7 million, after deducting the sales agents’ fee. As of June 30, 2019, we had the capacity to issue up to an additional $535.3 million of common stock under the $550 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 $550 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 six months ended June 30, 2019, we completed the sale of one of our properties for a gross sales price of $11.6 million and net cash proceeds of $11.1 million. We intend to recycle the net cash proceeds from this disposition to fund a future acquisition through 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, asset-specific circumstances or opportunities, 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.

Credit Facility

We have a $450.0 million senior unsecured credit facility (the “Credit Facility”), comprised of a $350.0 million unsecured revolving credit facility (the "Revolver") and a $100.0 million unsecured term loan facility (the "$100 Million Term Loan Facility"). The 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 $100 Million Term Loan Facility is scheduled to mature on February 14, 2022. Under the terms of the Credit Facility, we may request additional lender commitments up to an additional aggregate $550.0 million, which may be comprised of additional revolving commitments under the Revolver, an increase to the $100 Million Term Loan Facility, additional term loan tranches or any combination of the foregoing.

Interest on the Credit Facility 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 Revolver range in amount from 1.10% to 1.50% per annum for LIBOR-based loans and 0.10% to 0.50% per annum for Base Rate-based loans, depending on our leverage ratio. The margins for the $100 Million Term Loan Facility range in amount from 1.20% to 1.70% per annum for LIBOR-based loans and 0.20% to 0.70% per annum 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 ("S&P") or Moody's Investor Services ("Moody's") to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Credit Facility to be based on such rating. In that event, the margins for the Revolver will range in amount from 0.825% to 1.550% per annum for LIBOR-based loans and 0.00% to 0.55% per annum for Base Rate-based loans, depending on such rating, and the margins for the $100 Million Term Loan Facility will range in amount from 0.90% to 1.75% per annum for LIBOR-based loans and 0.00% to 0.75% per annum for Base Rate-based loans, depending on such ratings.

In addition to the interest payable on amounts outstanding under the 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 Credit Facility. The applicable facility fee will range in amount from 0.15% to 0.30% per annum, 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% per annum, depending on such rating.

The Credit Facility 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 Credit Facility is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

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

The 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 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 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 did not have any borrowings outstanding under the Revolver, leaving $350.0 million available for future borrowings.

Note Purchase and Guarantee Agreement

On July 16, 2019, we entered into a Note Purchase and Guarantee Agreement (the "NPGA") which provides for the private placement of $100.0 million of guaranteed senior notes, of which (i) $25.0 million are designated as 3.88% Series 2019A Guaranteed Senior Notes due July 16, 2029 (the "Series 2019A Notes") and (ii) $75.0 million are designated as 4.03% Series 2019B Guaranteed Senior Notes due July 16, 2034 (the "Series 2019 B Notes" and, together with the Series 2019A Notes, the "Series 2019A and 2019B Notes"). Interest on the Series 2019A and 2019B Notes will be payable semiannually on the sixteenth day of January and July in each year, beginning on January 16, 2020, until maturity. On July 16, 2019, we completed the issuance of the Series 2019A and 2019B Notes. The proceeds will be used to fund the acquisition of industrial properties and for general corporate purposes.

Investment Grade Rating

In October 2018, Fitch Ratings upgraded our investment grade credit rating to BBB from BBB- with a stable outlook on the Credit Facility, our $225 million unsecured term loan facility (the "$225 Million Term Loan Facility"), our $150 million unsecured term loan facility (the "$150 Million Term Loan Facility"), our $100 million unsecured guaranteed senior notes (the "$100 Million Notes") and our $125 million unsecured guaranteed senior notes (the "$125 Million Notes"). They also upgraded our investment grade credit rating to BB+ from BB on our 5.875% Series A Cumulative Redeemable Preferred Stock and assigned a BB+ rating on our 5.875% Series B Cumulative Redeemable 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 22 properties with a combined 2.6 million rentable square feet for a total gross purchase price of $497.2 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 $316.1 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 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 Value-Add Repositioning and Development of Properties, as of June 30, 2019, 14 of our properties were in various stages of repositioning, development or lease-up. We currently estimate that approximately $88.9 million of capital will be required through the end of 2020, to bring these projects to completion. 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 $550 Million ATM Program and borrowings available under the Revolver.

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

	Six Months Ended June 30, 2019		
	Total(1)	**Square Feet(2)**	**Per Square Foot(3)**
Non-Recurring Capital Expenditures(4)	$ 14,451	14,620,626	$ 0.99
Recurring Capital Expenditures(5)	3,574	22,628,123	$ 0.16
Total Capital Expenditures	$ 18,025		

(1) Cost is reported in thousands. Excludes the following capitalized costs: (i) compensation costs of personnel directly responsible for and who spend their time on development, renovation and rehabilitation activity and (ii) interest, property taxes and insurance costs incurred during the development and construction periods of repositioning or development projects.

(2) 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.

(3) Per square foot amounts are calculated by dividing the aggregate capital expenditure costs by the square footage as defined in (2) above.

(4) Non-recurring capital expenditures are expenditures made with respect to improvements to the appearance of such property or any development or 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.

(5) Recurring capital expenditures are expenditures made with respect to the maintenance of such property and replacement of items due to ordinary wear and tear including, but not limited to, expenditures made for maintenance of parking lots, roofing materials, mechanical systems, HVAC systems and other structural systems.

The following table sets forth our principal obligations and commitments as of June 30, 2019, 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 2019	2020	2021	2022	2023	Thereafter
Principal payments and debt maturities	$ 761,038	$ 80	$ 166	$ 566	$ 100,967	$ 282,518	$ 376,741
Interest payments - fixed-rate debt[(1)]	69,259	4,665	9,325	9,316	9,307	9,298	27,348
Interest payments - variable-rate debt[(2)]	78,278	8,911	17,548	17,781	17,216	8,172	8,650
Ground and office lease payments	10,792	511	949	1,032	923	951	6,426
Contractual obligations[(3)]	9,616	9,616	—	—	—	—	—
Total	$ 928,983	$ 23,783	$ 27,988	$ 28,695	$ 128,413	$ 300,939	$ 419,165

(1) Reflects scheduled interest payments on our fixed rate debt, including the $100 million unsecured guaranteed senior notes, the $125 million unsecured guaranteed senior notes and the Gilbert/La Palma mortgage loan.

(2) Reflects an estimate of interest payments due on variable rate debt, including the impact of interest rate swaps. For variable rate debt where interest is paid based on LIBOR plus an applicable LIBOR margin, we used the applicable LIBOR margin in effect as of June 30, 2019, and the one-month LIBOR rate of 2.398%, as of June 30, 2019. Furthermore, it is assumed that any maturity extension options available are not exercised.

(3) Includes total commitments for tenant improvements related to obligations under certain tenant leases and construction work related to obligations under contractual agreements with our construction vendors. We anticipate these obligations to be paid as incurred through the remainder of 2019 and 2020, however, 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 2019”.

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 July 29, 2019, our board of directors declared a quarterly cash dividend of $0.185 per share of common stock and a quarterly cash distribution of $0.185 per OP Unit, to be paid on October 15, 2019, to holders of record as of September 30, 2019. Also, on July 29, 2019, our board of directors declared a quarterly cash dividend of $0.367188 per share of our 5.875% Series A Cumulative Redeemable Preferred Stock, a quarterly cash dividend of $0.367188 per share of our 5.875% Series B Cumulative Redeemable Preferred Stock and a quarterly cash distribution of $0.505085 per Series 1 CPOP Unit to be paid on September 30, 2019, to holders of record as of September 13, 2019.

Consolidated Indebtedness

The following table sets forth certain information with respect to our consolidated debt outstanding as of June 30, 2019:

	Maturity Date	Stated Interest Rate	Effective Interest Rate[1]	Principal Balance (in thousands)[2]	Maturity Date of Effective Swaps
Secured Debt:					
$60M Term Loan	8/1/2023[3]	LIBOR+1.70%	4.098%	$ 58,499	
Gilbert/La Palma	3/1/2031	5.125%	5.125%	2,539	
Unsecured Debt:					
Revolver[4]	2/12/2021[5]	LIBOR +1.10%[6]	3.498%	—	
$100M Term Loan Facility	2/14/2022	LIBOR +1.20%[6]	2.964% [7]	100,000	8/14/2021
$225M Term Loan Facility	1/14/2023	LIBOR +1.20%[6]	2.574% [8]	225,000	1/14/2022
$150M Term Loan Facility	5/22/2025	LIBOR +1.50%[6]	3.898%	150,000	
$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 Debt			3.460%	$ 761,038	

(1) Includes the effect of interest rate swaps that were effective as of June 30, 2019. Assumes a 1-month LIBOR rate of 2.398% as of June 30, 2019, as applicable. Excludes the effect of amortization of debt issuance costs, discounts and the facility fee on the Revolver.

(2) Excludes unamortized debt issuance costs and discounts totaling $3.4 million as of June 30, 2019.

(3) One 24-month extension is available at the borrower's option, subject to certain terms and conditions.

(4) The 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.

(5) Two additional six-month extensions are available at the borrower's option, subject to certain terms and conditions.

(6) The LIBOR margin will range from 1.10% to 1.50% per annum for the Revolver, 1.20% to 1.70% per annum for the $100 Million Term Loan Facility, 1.20% to 1.70% per annum for the $225 Million Term Loan Facility and 1.50% to 2.20% per annum for the $150 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.

(7) As of June 30, 2019, the $100 Million Term Loan Facility has been effectively fixed at 1.764% plus an applicable LIBOR margin through the use of an interest rate swap with a notional value of $100.0 million and an effective date of December 14, 2018.

(8) As of June 30, 2019, the $225 Million Term Loan Facility has been effectively fixed at 1.374% plus the applicable LIBOR margin through the use of two interest rate swaps as follows: (i) $125 million with a strike rate of 1.349% and an effective date of February 14, 2018, and (ii) $100 million with a strike rate of 1.406% and an effective date of August 14, 2018, plus the applicable LIBOR margin.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of June 30, 2019:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate[1]	Principal Balance (in thousands)[2]		% of Total
Fixed vs. Variable:						
Fixed	4.9	3.27%	3.27%	$	552,539	73%
Variable	5.4	LIBOR + 1.56%	3.95%	$	208,499	27%
Secured vs. Unsecured:						
Secured	4.4		4.14%	$	61,038	8%
Unsecured	5.1		3.40%	$	700,000	92%

(1) Includes the effect of interest rate swaps that were effective as of June 30, 2019. Excludes the effect of amortization of debt issuance costs, discounts/premiums and the facility fee on the Revolver. Assumes a 1-month LIBOR rate of 2.398% as of June 30, 2019, as applicable.

(2) Excludes unamortized debt issuance costs and discounts totaling $3.4 million as of June 30, 2019.

At June 30, 2019, we had total consolidated indebtedness of $761.0 million, excluding unamortized debt issuance costs and discounts, with a weighted average interest rate of 3.46% and an average term-to-maturity of 5.0 years. As of June 30, 2019, $552.5 million, or 73% of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan ($227.5 million) or an interest rate swap ($325.0 million).

At June 30, 2019, we had consolidated indebtedness of $761.0 million, reflecting a net debt to total combined market capitalization of approximately 11.1%. Our total market capitalization is defined as the sum of the liquidation preference of our outstanding preferred stock and preferred units 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 Credit Facility, the $225 Million Term Loan Facility, the $150 Million Term Loan Facility, the $100 Million Notes, the $125 Million Notes and the Series 2019A and 2019B 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 Credit Facility, the $225 Million Term Loan Facility and the $150 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the $100 Million Notes, the $125 Million Notes and the Series 2019A and 2019B 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 Credit Facility, the $225 Million Term Loan Facility, the $150 Million Term Loan Facility, the $100 Million Notes, the $125 Million Notes and the Series 2019A and 2019B 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, the $125 Million Notes and the Series 2019A and 2019B Notes (together the "Senior 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 Senior 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 Senior 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 Senior Notes will become due and payable at the option of the purchasers. In addition, we are required to maintain at all times a credit rating on the Senior Notes from either S&P, Moody's or Fitch. As noted above, most recently in October 2018, Fitch upgraded the investment grade rating of the $100 Million Notes and the $125 Million Notes to BBB from BBB- with a stable outlook.

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 June 30, 2019.

Off Balance Sheet Arrangements

As of June 30, 2019, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Six Months Ended June 30, 2019 to the Six Months Ended June 30, 2018

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the six months ended June 30, 2019 and 2018 (in thousands):

	Six Months Ended June 30,		
	2019	2018	Change
Cash provided by operating activities	$ 61,548	$ 45,124	$ 16,424
Cash used in investing activities	$ (474,382)	$ (320,182)	$ (154,200)
Cash provided by financing activities	$ 415,497	$ 430,892	$ (15,395)

Net cash provided by operating activities. Net cash provided by operating activities increased by $16.4 million to $61.5 million for the six months ended June 30, 2019, compared to $45.1 million for the six months ended June 30, 2018. The increase was primarily attributable to incremental cash flows from property acquisitions completed subsequent to January 1, 2018, and the increase in Cash NOI from our Same Properties Portfolio, partially offset by changes in working capital and higher cash paid interest.

Net cash used in investing activities. Net cash used in investing activities increased by $154.2 million to $474.4 million for the six months ended June 30, 2019, compared to $320.2 million for the six months ended June 30, 2018. The increase was primarily attributable to a $134.3 million increase in cash paid for property acquisitions and acquisition related deposits and a $24.1 million decrease in net cash proceeds received from the sale of properties, partially offset by a $4.2 million decrease in cash paid for construction and repositioning projects for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities decreased by $15.4 million to $415.5 million for the six months ended June 30, 2019, compared to $430.9 million for the six months ended June 30, 2018. The decrease was primarily attributable to the following: (i) a decrease of $216.0 million in draws on the Revolver, (ii) a decrease of $150.0 million in borrowings on the $150 Million Term Loan Facility and (iii) an increase of $10.6 million in dividends and distributions paid to common stockholders and unit holders resulting from the increase in the number of common shares outstanding and the increase in our quarterly per share cash dividend. These decreases in cash flows were partially offset by the following: (i) a decrease of $276.0 million in paydowns on the Revolver, (ii) an increase of $83.1 million in net cash proceeds from the sale of shares of our common stock and (iii) a decrease of $1.7 million in deferred loan costs.

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 using variable-rate debt to satisfy various short-term and long-term liquidity needs, which have interest rates based upon LIBOR. 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 June 30, 2019, the $100 Million Term Loan Facility has been effectively fixed through the use of one interest rate swap. The interest rate swap has a notional value of $100.0 million, an effective date of December 14, 2018, a maturity date of August 14, 2021, and currently fixes the annual interest rate payable on the $100 Million Term Loan Facility at 1.764% plus an applicable LIBOR margin under the terms of the Credit Facility.

As of June 30, 2019, the $225 Million Term Loan Facility has been effectively fixed through the use of two interest rate swaps. The first interest rate swap has a notional value of $125.0 million, an effective date of February 14, 2018, a maturity date of January 14, 2022, and currently fixes the annual interest rate payable at 1.349% plus an applicable LIBOR margin under the terms of the $225 Million Term Loan Facility. The second interest rate swap has a notional value of $100.0 million, an effective date of August 14, 2018, a maturity date of January 14, 2022, and currently fixes the annual interest rate payable at 1.406% plus an applicable LIBOR margin under the terms of the $225 Million Term Loan Facility.

On December 6, 2018, we entered into an interest rate swap transaction to manage our exposure to fluctuations in variable interest rate associated with the $150 Million Term Loan Facility. The interest rate swap has a notional value of $150.0 million with an effective date of July 22, 2019, and a maturity date of November 22, 2024. The interest rate swap will effectively fix the annual interest rate payable on the $150 Million Term Loan Facility at 2.7625% plus an applicable margin under the terms of the $150 Million Term Loan Facility.

At June 30, 2019, we had total consolidated indebtedness, excluding unamortized debt issuance costs and discounts, of $761.0 million. Of this total amount, $552.5 million, or 73%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining $208.5 million, or 27%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of June 30, 2019, 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 $1.0 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 $1.0 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 June 30, 2019, 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 June 30, 2019, 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, 2018. There have been no material changes to the risk factors as set forth in this document.

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
April 1, 2019 to April 30, 2019	681	$ 36.22	N/A	N/A
May 1 , 2019 to May 31, 2019	—	$ —	N/A	N/A
June 1, 2019 to June 30, 2019	—	$ —	N/A	N/A
	681	$ 36.22	N/A	N/A

(1) In April 2019, 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	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))
3.2	Third 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 4, 2018)
3.3	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)
3.4	Articles Supplementary designating the Series B Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A12B, filed by the registrant on November 9, 2017)
3.5	Fifth Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.1 of Form 8-K, filed by the registrant on April 11, 2019)
4.1	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))
4.2	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)
4.3	Form of Specimen Certificate of Series B Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A12B, filed by the registrant on November 9, 2017)
10.1	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and BofA Securities, Inc. (incorporated by reference to Exhibit 1.1 of Form 8-K, filed by the registrant on June 13, 2019)
10.2	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and BB&T Capital Markets, a division of BB&T Securities, LLC. (incorporated by reference to Exhibit 1.2 of Form 8-K, filed by the registrant on June 13, 2019)
10.3	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and BTIG, LLC. (incorporated by reference to Exhibit 1.3 of Form 8-K, filed by the registrant on June 13, 2019)
10.4	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Capital One Securities, Inc. (incorporated by reference to Exhibit 1.4 of Form 8-K, filed by the registrant on June 13, 2019)
10.5	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 1.5 of Form 8-K, filed by the registrant on June 13, 2019)
10.6	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and J.P. Morgan Securities LLC. (incorporated by reference to Exhibit 1.6 of Form 8-K, filed by the registrant on June 13, 2019)
10.7	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Jefferies LLC. (incorporated by reference to Exhibit 1.7 of Form 8-K, filed by the registrant on June 13, 2019)
10.8	Equity Distribution Agreement, dated June 13, 2019, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Stifel, Nicolaus & Company, Incorporated. (incorporated by reference to Exhibit 1.8 of Form 8-K, filed by the registrant on June 13, 2019)
10.9	Note Purchase and Guarantee Agreement, dated as of July 16, 2019, 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, 2019)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.1*	The registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in inline 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.
104.1*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

* 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.
August 2, 2019	/s/ Michael S. Frankel
	Michael S. Frankel Co-Chief Executive Officer (Principal Executive Officer)
August 2, 2019	/s/ Howard Schwimmer
	Howard Schwimmer Co-Chief Executive Officer (Principal Executive Officer)
August 2, 2019	/s/ Adeel Khan
	Adeel Khan Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

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

I, Michael S. Frankel, 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.

August 2, 2019

By: /s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer

Exhibit 31.2

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

I, Howard Schwimmer, 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.

August 2, 2019

By: /s/ Howard Schwimmer

Howard Schwimmer

Co-Chief Executive Officer

Exhibit 31.3

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.

August 2, 2019	By:	/s/ Adeel Khan
		Adeel Khan
		Chief Financial Officer

Exhibit 32.1

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 June 30, 2019 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
August 2, 2019

Exhibit 32.2

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 June 30, 2019 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
August 2, 2019

Exhibit 32.3

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 June 30, 2019 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
August 2, 2019