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, 2015

OR

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

For the transition period from ________ to ________

Commission File Number: 001-36008

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

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

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

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

The number of shares of common stock outstanding at August 4, 2015 was 55,529,647.

REXFORD INDUSTRIAL REALTY, INC.
QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Land	$ 420,349,000	$ 368,033,000
Buildings and improvements	599,359,000	540,837,000
Tenant improvements	25,008,000	21,404,000
Furniture, fixtures, and equipment	188,000	188,000
Total real estate held for investment	1,044,904,000	930,462,000
Accumulated depreciation	(89,539,000)	(76,884,000)
Investments in real estate, net	955,365,000	853,578,000
Cash and cash equivalents	9,988,000	8,606,000
Note receivable	13,137,000	13,137,000
Rents and other receivables, net	2,210,000	1,812,000
Deferred rent receivable, net	6,067,000	5,165,000
Deferred leasing costs, net	4,526,000	3,608,000
Deferred loan costs, net	1,745,000	2,045,000
Acquired lease intangible assets, net	28,580,000	28,136,000
Acquired indefinite-lived intangible	5,271,000	5,271,000
Other assets	5,221,000	4,699,000
Acquisition related deposits	1,400,000	2,110,000
Investment in unconsolidated real estate entities	4,018,000	4,018,000
Total Assets	$ 1,037,528,000	$ 932,185,000
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$ 296,333,000	$ 356,362,000
Interest rate swap liability	2,960,000	1,402,000
Accounts payable, accrued expenses and other liabilities	9,257,000	10,053,000
Dividends payable	6,655,000	5,244,000
Acquired lease intangible liabilities, net	2,579,000	3,016,000
Tenant security deposits	9,711,000	8,768,000
Prepaid rents	2,517,000	1,463,000
Total Liabilities	330,012,000	386,308,000
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Common Stock, $0.01 par value 490,000,000 authorized and 55,459,295 and 43,702,442 outstanding as of June 30, 2015 and December 31, 2014, respectively	550,000	434,000
Additional paid in capital	720,583,000	542,318,000
Cumulative distributions in excess of earnings	(34,702,000)	(21,673,000)
Accumulated other comprehensive loss	(2,847,000)	(1,331,000)
Total stockholders' equity	683,584,000	519,748,000
Noncontrolling interests	23,932,000	26,129,000
Total Equity	707,516,000	545,877,000
Total Liabilities and Equity	$ 1,037,528,000	$ 932,185,000

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
RENTAL REVENUES				
Rental income	$ 19,275,000	$ 12,773,000	$ 37,832,000	$ 24,401,000
Tenant reimbursements	2,844,000	1,681,000	5,028,000	3,192,000
Management, leasing and development services	161,000	249,000	293,000	483,000
Other income	162,000	15,000	352,000	57,000
TOTAL RENTAL REVENUES	22,442,000	14,718,000	43,505,000	28,133,000
Interest income	280,000	278,000	557,000	554,000
TOTAL REVENUES	22,722,000	14,996,000	44,062,000	28,687,000
OPERATING EXPENSES				
Property expenses	5,874,000	3,892,000	11,645,000	8,026,000
General and administrative	3,740,000	2,780,000	7,286,000	5,385,000
Depreciation and amortization	10,490,000	6,003,000	20,374,000	12,133,000
TOTAL OPERATING EXPENSES	20,104,000	12,675,000	39,305,000	25,544,000
OTHER EXPENSE				
Acquisition expenses	847,000	652,000	1,080,000	985,000
Interest expense	1,658,000	1,537,000	3,484,000	2,788,000
TOTAL OTHER EXPENSE	2,505,000	2,189,000	4,564,000	3,773,000
TOTAL EXPENSES	22,609,000	14,864,000	43,869,000	29,317,000
Equity in income (loss) from unconsolidated real estate entities	12,000	(51,000)	13,000	(6,000)
Gain on extinguishment of debt	71,000	-	71,000	-
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	196,000	81,000	277,000	(636,000)
DISCONTINUED OPERATIONS				
Income from discontinued operations before gain on sale of real estate	-	-	-	21,000
Gain on sale of real estate	-	-	-	2,125,000
INCOME FROM DISCONTINUED OPERATIONS	-	-	-	2,146,000
NET INCOME	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
NET INCOME ATTRIBUTABLE TO:				
Rexford Industrial Realty, Inc. common stockholders	$ 139,000	$ 49,000	$ 166,000	$ 1,310,000
Noncontrolling interests	8,000	8,000	12,000	160,000
Participating securities	49,000	24,000	99,000	40,000
NET INCOME	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Income (loss) from continuing operations available to common stockholders per share - basic and diluted	$ -	$ -	$ -	$ (0.02)
Net income available to common stockholders per share - basic and diluted	$ -	$ -	$ -	$ 0.05
Weighted average shares of common stock outstanding - basic and diluted	54,963,093	25,419,757	52,835,132	25,419,588
Dividends declared per common share	$ 0.12	$ 0.12	$ 0.24	$ 0.24

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Other comprehensive income (loss): cash flow hedge adjustment	319,000	(759,000)	(1,558,000)	(459,000)
Comprehensive income (loss)	515,000	(678,000)	(1,281,000)	1,051,000
Less: comprehensive (income) loss attributable to noncontrolling interests	(27,000)	72,000	30,000	(111,000)
Comprehensive income (loss) attributable to common stockholders	$ 488,000	$ (606,000)	$ (1,251,000)	$ 940,000

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	43,702,442	$ 434,000	$ 542,318,000	$ (21,673,000)	$ (1,331,000)	$ 519,748,000	$ 26,129,000	$ 545,877,000
Issuance of common stock	11,500,000	115,000	183,885,000	-	-	184,000,000	-	184,000,000
Offering costs	-	-	(8,027,000)	-	-	(8,027,000)	-	(8,027,000)
Share-based compensation	115,307	-	863,000	-	-	863,000	-	863,000
Repurchase of common shares	(4,225)	-	(67,000)	-	-	(67,000)	-	(67,000)
Conversion of units to common stock	145,771	1,000	1,611,000	-	-	1,612,000	(1,612,000)	-
Net income	-	-	-	265,000	-	265,000	12,000	277,000
Other comprehensive loss	-	-	-	-	(1,516,000)	(1,516,000)	(42,000)	(1,558,000)
Dividends	-	-	-	(13,294,000)	-	(13,294,000)	-	(13,294,000)
Distributions	-	-	-	-	-	-	(555,000)	(555,000)
Balance at June 30, 2015	55,459,295	$ 550,000	$ 720,583,000	$ (34,702,000)	$ (2,847,000)	$ 683,584,000	$ 23,932,000	$ 707,516,000

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 277,000	$ 1,510,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in (income) loss of unconsolidated real estate entities	(13,000)	6,000
Depreciation and amortization	20,374,000	12,133,000
Depreciation and amortization included in discontinued operations	-	7,000
Amortization of above (below) market lease intangibles, net	85,000	154,000
Accretion of discount on notes receivable	(140,000)	(129,000)
Gain on extinguishment of debt	(71,000)	-
Gain on sale of real estate included in discontinued operations	-	(2,125,000)
Amortization of loan costs	418,000	273,000
Accretion of premium on notes payable	(125,000)	(46,000)
Equity based compensation expense	815,000	451,000
Change in working capital components:		
Rents and other receivables	(398,000)	(538,000)
Deferred rent receivable	(977,000)	(579,000)
Deferred leasing costs	(1,654,000)	(879,000)
Other assets	(737,000)	(220,000)
Accounts payable, accrued expenses and other liabilities	(1,270,000)	(41,000)
Tenant security deposits	441,000	535,000
Prepaid rents	799,000	(1,137,000)
Net cash provided by operating activities	17,824,000	9,375,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(105,471,000)	(174,287,000)
Capital expenditures	(9,573,000)	(4,221,000)
Acquisition related deposits, net	710,000	60,000
Contributions to unconsolidated real estate entities	-	(105,000)
Distributions from unconsolidated real estate entities	-	28,000
Change in restricted cash	-	(54,000)
Principal repayments of notes receivable	140,000	132,000
Disposition of investment in real estate	-	13,790,000
Net cash used in investing activities	(114,194,000)	(164,657,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	184,000,000	-
Offering costs	(7,917,000)	(6,000)
Proceeds from notes payable	60,500,000	171,000,000
Repayment of notes payable	(126,262,000)	(4,137,000)
Deferred loan costs	(64,000)	(1,873,000)
Dividends paid to common stockholders	(11,883,000)	(8,434,000)
Distributions paid to common unitholders	(555,000)	(993,000)
Repurchase of common shares	(67,000)	-
Net cash provided by financing activities	97,752,000	155,557,000
Increase in cash and equivalents	1,382,000	275,000
Cash and cash equivalents, beginning of period	8,606,000	8,997,000
Cash and cash equivalents, end of period	$ 9,988,000	$ 9,272,000
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of $196,000 and $0 for the six months ended June 30, 2015 and 2014, respectively)	$ 3,197,000	$ 2,511,000
Supplemental disclosure of noncash investing and financing transactions:		
Assumption of loan in connection with acquisition of real estate including loan premium	$ 5,874,000	$ 10,565,000
Capital expenditure accruals	$ 1,492,000	$ 88,000
Accrual of dividends	$ 6,655,000	$ 5,244,000
Accrual of offering costs	$ 110,000	$ -

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 primarily located in Southern California infill markets. As of June 30, 2015, our consolidated portfolio consisted of 107 properties with approximately 10.6 million rentable square feet. We also own a 15% interest in a joint venture that owns one property with approximately 0.5 million square feet, which we also manage. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

The terms "us," "we," "our," and the "Company" as used in these financial statements refer to Rexford Industrial Realty, Inc. and its subsidiaries (including our Operating Partnership).

Basis of Presentation

As of June 30, 2015 and December 31, 2014 and for the three and six months ended June 30, 2015 and 2014, the financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. The interim financial statements should be read in conjunction with the combined and consolidated financial statements in our 2014 Annual Report on Form 10-K and the notes thereto. Certain prior period amounts have been reclassified to conform to current period presentation. Any references to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm's review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

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

We consolidate all entities that are wholly owned and those in which we own less than 100% but control, as well as any variable interest entities in which we are the primary beneficiary. We evaluate our ability to control an entity and whether the entity is a variable interest entity and we are the primary beneficiary through consideration of the substantive terms of the arrangement to identify which enterprise has the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Investments in entities in which we do not control but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that we do not control and over which we do not exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our ability to correctly assess our influence and/or control over an entity affects the presentation of these investments in our consolidated financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Discontinued Operations

On April 14, 2014, the FASB issued Accounting Standards Update 2014-08: *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”). Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. ASU 2014-08 further expands the disclosure requirements for disposals that meet the definition of a discontinued operation, and requires entities to disclose information about disposals of individually significant components. We elected to adopt ASU 2014-08 early, beginning in the fiscal quarter ended September 30, 2014. The adoption of ASU 2014-08 has and will likely result in fewer property sales being classified as discontinued operations.

We did not have any dispositions of operating properties during the six months ended June 30, 2015. During the six months ended June 30, 2014, we sold two of our operating properties. As these properties were sold and classified as held for sale prior to the adoption of ASU 2014-08, the revenues and expenses of these properties are reported as discontinued operations in the consolidated statements of operations for all periods presented through the date of the disposition. Furthermore, the gain (loss) on sale of these properties is reported as discontinued operations in the consolidated statements of operations in the period the properties are sold. See Note 13.

Investment in Real Estate

Acquisitions

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

We allocate the purchase price to the fair value of the tangible assets by valuing the property as if it were vacant. We consider Level 3 inputs, which are unobservable inputs based on the Company’s assumptions about the assumptions a market participant would use, such as the replacement cost of such assets, appraisals, property condition reports, comparable market rental data and other related information.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. Acquisition costs associated with the business combination are expensed in the period they are incurred.

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

For acquisitions that do not meet the accounting criteria to be accounted for as a business combination, we record to land and building the purchase price paid and capitalize the associated acquisition costs. We capitalized acquisition costs totaling $310,000 and $121,000 during the three months ended June 30, 2015 and 2014, respectively, and $346,000 and $163,000 during the six months ended June 30, 2015 and 2014, respectively. See Note 3.

Capitalization of Costs

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

Depreciation and Amortization

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

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

As discussed above under 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 intangible lease asset or liability and amortized to “rental revenues” over the reasonably assured term of the related leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our consolidated financial statements over the shorter of the expected life of such assets and liabilities or the remaining lease term.

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

Impairment of Long-Lived Assets

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

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

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

Investment in Unconsolidated Real Estate

Investments in unconsolidated real estate in which we have the ability to exercise significant influence (but not control) are accounted for under the equity method of investment. Under the equity method, we initially record our investment at cost, and subsequently adjust for equity in earnings or losses and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in income (loss) from unconsolidated real estate over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the consolidated balance sheets, and our share of net income or loss from the joint ventures is included within the consolidated statements of operations. See Note 12.

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, 2015 and 2014.

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, 2015 and December 31, 2014, we have not established a liability for uncertain tax positions.

Derivative Instruments and Hedging Activities

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

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

Revenue Recognition

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

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

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

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

Valuation of Receivables

We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods. We recorded a provision for doubtful accounts of approximately $0.4 million and $0.1 million for the three months ended June 30, 2015 and 2014, respectively, and approximately $0.8 million and $0.5 million for the six months ended June 30, 2015 and 2014, respectively, as a reduction to rental revenues in our consolidated statements of operations. We had a $1.7 million and $1.0 million reserve for allowance for doubtful accounts as of June 30, 2015 and December 31, 2014, respectively.

Equity Based Compensation

We account for equity-based compensation, including shares of restricted stock, in accordance with ASC Topic 718 Compensation – Stock Compensation. 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. The total compensation expense for these awards is based upon the fair market value of the shares on the grant date, adjusted for estimated forfeitures. See Note 14.

Equity Offering Costs

Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in capital.

Earnings Per Share

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

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

Segment Reporting

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

Recently Issued Accounting Pronouncements

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

On April 7, 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest* (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a reduction from the carrying value of the debt liability. This offset against the debt liability is treated similarly to a debt discount, which effectively reduces the proceeds of a borrowing. ASU 2015-03 is effective for annual and interim periods beginning on or after December 15, 2015, with early adoption permitted on a retrospective basis. We have elected to adopt ASU 2015-03 early, beginning with the quarter ended March 31, 2015. As a result of the adoption of ASU 2015-03, we have reclassified approximately $0.7 million of net debt issuance costs from an asset (previously recorded in the line item “Deferred loan costs, net” in the consolidated balance sheets) to a reduction in the carrying amount of our notes payable as of December 31, 2014. Net debt issuance costs related to establishing our revolving line of credit will continue to be presented in the line item “Deferred loan costs, net” as an asset in the consolidated balance sheets. ASU 2015-03 also expands disclosure requirements to include the face amount of the debt liability and the effective interest rate in the notes to the consolidated financial statements. See Note 6.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 requires reporting entities to evaluate whether they should consolidate certain legal entities. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (“VIEs”) or voting interest entities and eliminates the presumption that a general partner should consolidate a limited partnership. This ASU affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments in the ASU using: (i) a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption; or (ii) by applying the amendments retrospectively. We are currently assessing the potential impact that the adoption of the ASU 2015-02 will have on our consolidated financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). ASU 2014-09 establishes principles for reporting the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, ASU 2014-09 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2016. Early application is not permitted. In April 2015, the FASB tentatively decided to defer the effective date for one year, which would make this ASU effective for annual reporting periods beginning after December 15, 2017. ASU 2014-09 notes that lease contracts with customers are a scope exception, and accordingly, we do not expect the adoption to have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

3. Investments in Real Estate

The following table sets forth the wholly-owned industrial properties we acquired during the six months ended June 30, 2015:

Property	Submarket	Date of Acquisition	Square Feet	Number of Buildings		Purchase Price
8902-8940 Activity Road(1)	San Diego - Central	1/21/2015	112,501	5	$	18,450,000
12907 Imperial Highway(2)	Los Angeles - Mid-counties	1/21/2015	101,080	1		12,180,000
1210 North Red Gum Street(3)	Orange County - North	3/9/2015	64,570	1		7,650,000
9401 De Soto Avenue(3)	Los Angeles - San Fernando Valley	3/18/2015	150,263	1		14,075,000
9615 Norwalk Boulevard(3)	Los Angeles - Mid-counties	4/30/2015	38,362	2		9,642,000
16221 Arthur Street(3)	Los Angeles - Mid-counties	5/1/2015	61,372	1		5,774,000
2588 & 2605 Industry Way(1)	Los Angeles - South Bay	5/12/2015	164,662	2		22,000,000
425 South Hacienda Boulevard(1)	Los Angeles - San Gabriel Valley	5/15/2015	51,823	1		7,000,000
6700 Alameda Street(4)	Los Angeles - Central LA	6/29/2015	78,280	1		14,500,000
Total 2015 Wholly-Owned Property Acquisitions			822,913	15	$	111,271,000

(1) This acquisition was funded with borrowings under our unsecured revolving credit facility.

(2) This acquisition was funded as follows: (i) $5.4 million from the assumption of secured debt; (ii) $2.1 million from a deposit paid during the fourth quarter of 2014 and (iii) borrowings under our unsecured revolving credit facility. The assumed debt was recorded at fair value on the acquisition date, resulting in a premium of approximately $0.5 million.

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

(4) This acquisition was funded in part by available cash on hand and in part by borrowings under our unsecured revolving credit facility.

The following table summarizes the preliminary allocation of the purchase price paid for the acquired assets and liabilities assumed of the properties in the table above as of the date of acquisition:

		Total 2015 Acquisitions
Assets:		
Land(1)	$	52,304,000
Buildings and improvements(2)		50,747,000
Tenant improvements		1,900,000
Acquired lease intangible assets(3)		7,516,000
Other acquired assets (5)		92,000
Total assets acquired		112,559,000
Liabilities:		
Acquired lease intangible liabilities(4)		212,000
Notes payable		5,874,000
Deferred rent liability		177,000
Other assumed liabilities (5)		825,000
Total liabilities assumed		7,088,000
Net assets acquired	$	105,471,000

(1) The allocation to land includes an aggregate $194,000 of capitalized acquisition costs related to the purchases of 9401 De Soto Ave., 16221 Arthur St. and 425 Hacienda Blvd., which were accounted for as asset acquisitions.

(2) The allocation to buildings and improvements includes an aggregate $140,000 of capitalized acquisition costs related to the purchases of 16221 Arthur St. and 425 Hacienda Blvd., which were accounted for as asset acquisitions.

(3) Represents $4,701,000 and $2,815,000 of in-place leases and above-market leases with a weighted average amortization period of 6.6 years and 14.8 years, respectively.

(4) Represents below-market leases with a weighted average amortization period of 4.1 years.

(5) Includes other working capital assets acquired and liabilities assumed, respectively, at the time of acquisition.

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

The following table sets forth the unaudited results of operations for the three and six months ended June 30, 2015, for each of the properties acquired during the six months ended June 30, 2015, included in the consolidated statements of operations from the date of acquisition:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
Revenues	$	1,203,000	$	1,673,000
Net Income	$	445,000	$	453,000

The following table sets forth unaudited pro-forma financial information as if the closing of our acquisitions during the six months ended June 30, 2015, had occurred on January 1, 2014. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions, and increased interest expense for borrowings associated with these acquisitions. These unaudited pro-forma results do not purport to be indicative of what operating results would have been had the acquisitions actually occurred on January 1, 2014 and may not be indicative of future operating results.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
Revenues	$	23,213,000	$	16,415,000	$	45,846,000	$	31,596,000
Net operating income	$	16,813,000	$	11,998,000	$	33,066,000	$	22,472,000
Net income	$	1,062,000	$	339,000	$	1,948,000	$	955,000

4. Intangible Assets

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

	June 30, 2015		December 31, 2014	
Acquired Lease Intangible Assets:				
In-place lease intangibles	$	42,096,000	$	37,467,000
Accumulated amortization		(19,241,000)		(12,975,000)
In-place lease intangibles, net		22,855,000		24,492,000
Above-market tenant leases		7,786,000		4,971,000
Accumulated amortization		(2,061,000)		(1,327,000)
Above-market tenant leases, net		5,725,000		3,644,000
Acquired lease intangible assets, net	$	28,580,000	$	28,136,000
Acquired Lease Intangible Liabilities:				
Below-market tenant leases		(3,726,000)		(3,514,000)
Accumulated accretion		1,376,000		743,000
Below-market tenant leases, net		(2,350,000)		(2,771,000)
Above-market ground lease		(290,000)		(290,000)
Accumulated accretion		61,000		45,000
Above-market ground lease, net		(229,000)		(245,000)
Acquired lease intangible liabilities, net	$	(2,579,000)	$	(3,016,000)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
In-place lease intangibles (1)	$ 3,120,000	$ 1,824,000	$ 6,339,000	$ 3,910,000
Net above (below) market tenant leases (2)	$ 54,000	$ 81,000	$ 101,000	$ 170,000
Above-market ground lease (3)	$ (8,000)	$ (8,000)	$ (16,000)	$ (16,000)

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

5. Note Receivable

As of June 30, 2015 and December 31, 2014, we had one mortgage note receivable, which is secured by an industrial property located at 32401-32803 Calle Perfecto in San Juan Capistrano (the "Calle Perfecto Note"). The Calle Perfecto Note is a 30-year amortizing loan which bears interest at a fixed rate of 6.001% and matures on May 1, 2017.

The following table summarizes the balance of our notes receivable:

	June 30, 2015	December 31, 2014
Face Amount	$ 13,757,000	$ 13,896,000
Unrecognized Accretable Yield	(620,000)	(759,000)
Note Receivable	$ 13,137,000	$ 13,137,000

6. Notes Payable

The following table summarizes the balance of our indebtedness as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Principal amount	$ 296,715,000	$ 357,076,000
Less: unamortized discount and deferred loan costs(1)	(382,000)	(714,000)
Carrying value	$ 296,333,000	$ 356,362,000

(1) Unamortized discount and deferred loan costs exclude net debt issuance costs related to establishing our unsecured credit facility. These costs are presented in the line item "Deferred loan costs, net" in the consolidated balance sheets. See the discussion of the adoption of ASU 2015-03 in Note 2.

The following table summarizes the components and significant terms of our indebtedness as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014				
	Principal Amount	Unamortized Discount and Deferred Loan Costs	Principal Amount	Unamortized Discount and Deferred Loan Costs	Contractual Maturity Date	Contractual Interest Rate	Effective Interest Rate (1)
Fixed Rate Debt							
The Park	$ 3,109,000	$ (157,000)	$ 3,173,000	$ (161,000)	3/1/2031	5.125% (2)	5.37%
2980 San Fernando	-	-	10,153,000	139,000	7/1/2015	5.088% (3)	--
12907 Imperial Highway	5,356,000	361,000	-	-	4/1/2018	5.950% (4)	3.81%
Variable Rate Debt				-			
RIF V - Glendale Commerce Center, LLC	42,750,000	-	42,750,000	-	5/1/2016 (5)	LIBOR + 2.00%	2.19%
Term Loan (6)	60,000,000	(322,000)	60,000,000	(362,000)	8/1/2019 (7)	LIBOR + 1.90%	2.22%
Term Loan (8)	48,500,000	(264,000)	48,500,000	(330,000)	6/24/2017 (9)	LIBOR + 1.55%	2.01%
Unsecured Term Loan Facility	100,000,000	-	100,000,000	-	6/11/2019	LIBOR + 1.25%	1.44%
Unsecured Credit Facility		-		-			
Unsecured Credit Facility	37,000,000	-	92,500,000	-	6/11/2018 (7)	LIBOR + 1.30% (10)	1.49%
Total	$ 296,715,000	$ (382,000)	$ 357,076,000	$ (714,000)			

(1) Reflects the effective interest rate at June 30, 2015 and includes the effect of amortization of discounts/premiums and deferred loan costs.
(2) Monthly payments of interest and principal based on 20-year amortization table.
(3) Monthly payments of interest and principal based on 30-year amortization table.
(4) Monthly payments of interest and principal based on 30-year amortization table, with a balloon payment at maturity.
(5) Two additional one year extensions available at the borrower's option.
(6) Loan is secured by six properties. As of June 30, 2015, the interest rate with respect to $30 million of this $60 million variable-rate term loan has been effectively fixed through the use of an interest rate swap. See Note 8.
(7) One additional one year extension available at the borrower's option.
(8) Loan is secured by eight properties.
(9) One additional two year extension available at the borrower's option.
(10) The facility additionally bears interest at 0.30% or 0.20% of the daily undrawn amount of the unsecured revolving credit facility if the balance is under $100 million or over $100 million, respectively.

On January 21, 2015, in connection with the acquisition of the property located at 12907 Imperial Highway, we assumed a mortgage loan that is secured by the property. The assumed mortgage loan had a principal balance of $5.4 million at the acquisition date and was recorded at fair value at the date of acquisition resulting in an initial debt premium of $473,000. The loan, which was put in place in 2008 by the seller, bears interest at a fixed rate of 5.95% with amortization over 30 years, and has a maturity date of April 1, 2018.

On April 1, 2015, we repaid the $10.1 million outstanding balance on our loan secured by the property located at 2980-2990 North San Fernando Road. We repaid the balance using available cash on hand and did not incur any prepayment penalties for repaying in advance of the maturity date of July 1, 2015.

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts/premiums and deferred loan costs, as of June 30, 2015 and does not consider extension options available to us as noted in the table above:

July 1, 2015 - December 31, 2015	$	122,000
2016		43,002,000
2017		48,766,000
2018		42,208,000
2019		160,158,000
Thereafter		2,459,000
Total	$	296,715,000

Unsecured Credit Facility

We have a senior unsecured revolving credit facility with a borrowing capacity of $200.0 million (the “Revolver”) and a senior unsecured term loan facility (the “Term Loan Facility”) with a borrowing capacity of $100.0 million (together the “Credit Facility”). The Revolver is scheduled to mature on June 11, 2018, with one 12-month extension option available, subject to certain conditions, and the Term Loan Facility is scheduled to mature on June 11, 2019. The aggregate principal amount of the Credit Facility may be increased to a total of up to $600.0 million, which may be comprised of additional revolving commitments under the Revolver or an increase to the Term Loan Facility, or any combination of the foregoing, subject to the satisfaction of specified conditions and the identification of lenders willing to make available such additional amounts.

Interest on the Credit Facility is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent’s prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we attain an investment grade rating by two or more of Standard & Poor’s, Moody’s Investor Services and Fitch Ratings, the applicable LIBOR margin will range from 1.30% to 1.90% for the Revolver and 1.25% to 1.85% for the Term Loan Facility, depending on the our Leverage Ratio (as defined in the credit agreement). In February 2015, the Revolver and the Term Loan Facility were assigned an investment grade rating of BBB- by Fitch Ratings. Additionally, there is a quarterly facility fee that is paid on the undrawn portion of the Revolver in an amount equal to 0.20% or 0.30% depending on the undrawn amount of the Revolver.

The Credit Facility is guaranteed by the Company and by substantially all of the current and future subsidiaries of the Operating Partnership that own an unencumbered property. The 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 Term Loan Facility may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Term Loan Facility and repaid or prepaid may not be re-borrowed.

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. We believe we are currently in compliance with all of the financial covenants required by our loan agreements.

On June 30, 2015, we had borrowings of $37.0 million outstanding under our Revolver, leaving $163.0 million available for additional borrowings.

Debt Covenants

The Credit Facility includes a series of financial and other covenants that we must comply with in order to borrow under the Credit Facility. These include 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%;
- Maintaining a ratio of secured debt to total asset value of not more than 45%;
- Maintaining a ratio of total recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) $283,622,250, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after March 31, 2014;
- Maintaining a ratio of adjusted EBITDA to fixed charges of at least 1.50 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%; and
- Maintaining a ratio of unencumbered NOI to unsecured interest expense of at least 1.75 to 1.0.

Additionally, the Credit Facility provides 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.

In addition to our Credit Facility, certain of our other loan agreements contain financial covenants to be tested quarterly. The Glendale Commerce Center loan and our $60.0 million term loan both require a minimum Debt Service Coverage Ratio (as defined in their respective loan agreements) of at least 1.10 to 1.00.

We were in compliance with all of our required quarterly debt covenants as of June 30, 2015.

7. Operating Leases

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

Future minimum base rent under operating leases as of June 30, 2015 is summarized as follows:

Twelve months ending June 30:		
2016	$	73,729,000
2017		54,298,000
2018		38,238,000
2019		27,704,000
2020		21,109,000
Thereafter		48,906,000
Total	**$**	**263,984,000**

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

8. Interest Rate Contracts

Risk Management Objective of Using Derivatives

We are exposed to certain risk arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain 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 amount. We do not use derivatives for trading or speculative purposes.

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

On February 4, 2014, we executed two forward-starting interest rate swap transactions to hedge the variable cash flows associated with our existing $60.0 million variable-rate term loan. Each of the two swaps has a notional value of $30.0 million. We are required to make certain monthly fixed rate payments calculated on notional amounts of $30.0 million for each of the swaps, while the applicable counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional amount. The first interest rate swap, which is effective for the period from January 15, 2015 to February 15, 2019, is currently fixing the annual interest rate payable on $30.0 million of our debt at 3.726%. The second forward swap will effectively fix the annual interest rate payable on the other $30.0 million of debt at 3.91% for the period from July 15, 2015 to February 15, 2019.

On August 19, 2014, we executed two forward-starting interest rate swap transactions to hedge the variable cash flows associated with our $100.0 million Term Loan Facility. Each of the two swaps has a notional value of $50.0 million. The first swap has an effective date of August 14, 2015 and a maturity date of December 14, 2018. The second swap has an effective date of February 16, 2016 and a maturity date of December 14, 2018. We are required to make certain monthly fixed rate payments calculated on notional amounts of $50.0 million for each of the swaps, while the applicable counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional amount. The interest rate swaps will effectively fix the annual interest rate payable on our Term Loan Facility at 1.79% for the first swap and 2.005% for the second swap, plus an applicable margin under the terms of the Credit Facility.

The following table sets forth a summary of our interest rate swaps at June 30, 2015 and December 31, 2014:

				Fair Value(1)		Current Notional Amount(2)	
Derivative Instrument	**Effective Date**	**Maturity Date**	**Interest Strike Rate**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**
Liabilities:							
Interest Rate Swap	1/15/2015	2/15/2019	1.826%	$ 583,000	$ 457,000	$ 30,000,000	$ -
Interest Rate Swap	7/15/2015	2/15/2019	2.010%	$ 756,000	$ 408,000	$ -	$ -
Interest Rate Swap	8/14/2015	12/14/2018	1.790%	$ 853,000	$ 277,000	$ -	$ -
Interest Rate Swap	2/16/2016	12/14/2018	2.005%	$ 768,000	$ 260,000	$ -	$ -

(1) We record all derivative instruments on a gross basis in the consolidated balance sheets, and accordingly, there are no offsetting amounts that net assets against liabilities. As of June 30, 2015 and December 31, 2014, all of our derivatives were in a liability position, and as such, the fair value is included in the line item “Interest rate swap liability” in the consolidated balance sheets.

(2) Represents the notional amount of swaps that are effective as of the balance sheet date noted.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest Rate Swaps in Cash Flow Hedging Relationships:				
Amount of gain (loss) recognized in AOCI on derivatives (effective portion)	$ 194,000	$ (760,000)	$ (1,788,000)	$ (459,000)
Amount of gain (loss) reclassified from AOCI into earnings under "Interest expense" (effective portion)	(125,000)	-	(230,000)	-
Amount of gain (loss) recognized in earnings under "Interest expense" (ineffective portion and amount excluded from effectiveness testing)	-	-	-	-

During the next twelve months, we estimate that an additional $1,760,000 will be reclassified from AOCI as an increase to interest expense.

Credit-risk-related Contingent Features

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

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

As of June 30, 2015, the fair value of interest rate swaps in a net liability position, which excludes any adjustment for nonperformance risk related to these agreements, was $3,026,000. As of June 30, 2015, we have not posted any collateral related to these agreements.

9. Fair Value Measurements

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

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

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves 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, 2015, 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, 2015 and December 31, 2014, which we measure on a recurring basis by level within the fair value hierarchy.

	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)**
Interest Rate Swaps at:				
June 30, 2015	$ (2,960,000)	$ -	$ (2,960,000)	$ -
December 31, 2014	$ (1,402,000)	$ -	$ (1,402,000)	$ -

Financial Instruments Disclosed at Fair Value

The carrying amounts of cash and cash equivalents, rents and other receivables, other assets, accounts payable, accrued expenses and other liabilities, and tenant security deposits approximate fair value because of their short-term nature.

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

The table below sets forth the carrying value and the estimated fair value of our notes payable as of June 30, 2015 and December 31, 2014:

	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, 2015	$ 296,859,000	$ -	$ -	$ 296,859,000	$ 296,333,000
December 31, 2014	$ 357,212,000	$ -	$ -	$ 357,212,000	$ 356,362,000

10. Related Party Transactions

Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management and development fees and leasing commissions from entities controlled individually by Mr. Schwimmer. Fees and commissions earned from these entities are included in "Management, leasing and development services" in the consolidated statements of operations. We recorded $61,000 and $63,000 for the three months ended June 30, 2015 and 2014, respectively, and $116,000 and $116,000 for the six months ended June 30, 2015 and 2014, respectively, in management, leasing and development services revenue.

11. Commitments and Contingencies

Legal

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

During the second quarter of 2015, the Company entered into a settlement agreement with respect to previously-disclosed litigation involving certain of its pre-IPO investors. The aggregate amount paid by the Company in this settlement was not material.

Environmental

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

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 $1.3 million of the purchase price, which would have otherwise been paid to the former owner, was to be placed into an escrow account to be used to pay remediation costs. In addition, we also funded $100,000 into the escrow account. 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, 2015 and December 31, 2014, we have a $1.2 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 that existed prior to the acquisition date. As of June 30, 2015 and December 31, 2014, we also have a $1.2 million corresponding indemnification asset recorded in our consolidated balance sheets included in the line item “Other assets”, reflecting the estimated costs we expect the former owner to cover pursuant to the Holdback Agreement.

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

Rent Expense

As of June 30, 2015, we lease a parcel of land that is currently being sub-leased to a tenant for a parking lot. The ground lease is scheduled to expire on June 1, 2062.

The future minimum commitment under our ground lease and corporate office lease as of June 30, 2015 is as follows:

	Office Lease	Ground Rent
July 1, 2015 - December 31, 2015	$ 238,000	$ 72,000
2016	520,000	144,000
2017	543,000	144,000
2018	559,000	144,000
2019	337,000	144,000
Thereafter	-	6,108,000
Total	$ 2,197,000	$ 6,756,000

Tenant and Construction Related

As of June 30, 2015, we had commitments of approximately $5.3 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, 2015, 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, 2015, 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.

As of June 30, 2015, our 10 largest tenants represented approximately 14.6% of our annualized base rent, which is based on the monthly contracted base rent from leases in effect as of June 30, 2015, multiplied by 12, excluding billboard and antenna revenue and rent abatements. During the three and six months ended June 30, 2015, no single tenant accounted for more than 10% of our rental revenues.

12. Investment in Unconsolidated Real Estate

We currently manage and hold a 15% equity interest in a joint venture (“the JV”) that indirectly owns one property located at 3233 Mission Oaks Boulevard in Ventura County. We account for this investment under the equity method of accounting (i.e., at cost, increased or decreased by our share of earnings or losses, less distributions, plus contributions and other adjustments required by equity method accounting, such as basis differences from other-than-temporary impairments, if applicable).

The following tables present combined summarized financial information of our unconsolidated joint venture properties. Amounts provided are the total amounts attributable to the entities and do not represent our proportionate share, unless otherwise noted:

	June 30, 2015	December 31, 2014
Assets	$ 23,862,000	$ 23,542,000
Liabilities	(1,442,000)	(1,274,000)
Partners'/members' equity	$ 22,420,000	$ 22,268,000
Company's share of equity	$ 3,363,000	$ 3,340,000
Basis adjustment(1)	655,000	678,000
Carrying value of the Company's investment in unconsolidated real estate	$ 4,018,000	$ 4,018,000

(1) This amount represents the difference between our historical cost basis and the basis reflected at the joint venture level, resulting from the contribution of our equity interest as part of the formation transactions that occurred on July 24, 2013.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	$ 685,000	$ 1,921,000	$ 1,348,000	$ 3,733,000
Expenses	(574,000)	(1,758,000)	(1,196,000)	(3,363,000)
Net income	$ 111,000	$ 163,000	$ 152,000	$ 370,000

Fees and commissions earned from managing the JV are included in “Management, leasing and development services” in the consolidated statements of operations. We recorded $47,000 and $130,000 for the three months ended June 30, 2015 and 2014, respectively, and $91,000 and $269,000 for the six months ended June 30, 2015 and 2014, respectively, in management, leasing and development services revenue.

13. Discontinued Operations

Dispositions

We did not have any dispositions during the six months ended June 30, 2015. The table below summarizes the properties sold during the six months ended June 30, 2014.

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

(1) The results of operations and the gain or loss on sale of these properties are reported under Discontinued Operations in the consolidated statements of operations.

Discontinued Operations

Discontinued operations for the three and six months ended June 30, 2014 includes the results of operations (prior to disposition) and the gain (loss) on sale of real estate of the two properties in the table above. The following table summarizes the main components of income from discontinued operations for the three and six months ended June 30, 2014.

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenues	$ -	$ 85,000
Operating expenses	-	(57,000)
Depreciation and amortization expense	-	(7,000)
Gain on sale of real estate	-	2,125,000
Income from discontinued operations	$ -	$ 2,146,000

14. Equity

Common Stock

On February 3, 2015, we completed a public follow-on offering of 11,500,000 shares of our common stock at a public offering price of $16.00 per share. The net proceeds of the follow-on offering were approximately $176.3 million, after deducting the underwriting discount and offering costs paid aggregating approximately $7.7 million. On February 3, 2015, we contributed the net proceeds of the offering to our Operating Partnership in exchange for 11,500,000 common units of partnership interests in the Operating Partnership (“OP Units”).

On April 17, 2015, we established an at-the-market equity offering program (the “ATM Program”) through which we may sell from time to time up to an aggregate of $125.0 million of our common stock through sales agents. In connection with the ATM program we incurred direct offering costs of approximately $0.3 million. As of June 30, 2015, we have not sold any shares of common stock under the ATM Program, and actual sales going forward, 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, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Noncontrolling Interests

Noncontrolling interests in our Operating Partnership relate to interests in the partnership that are not owned by us. Noncontrolling interests consisted of 2,177,573 OP Units and represented approximately 3.8% of our Operating Partnership as of June 30, 2015. 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, 2015, 145,771 OP Units were converted into an equivalent number of shares of common stock, resulting in the reclassification of approximately $1.6 million of noncontrolling interest to Rexford Industrial Realty, Inc.’s stockholders equity.

2013 Incentive Award Plan

In July 2013, we established the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the “Plan”), pursuant to which we may make grants of stock options, restricted stock, long term incentive plan units in our Operating Partnership and other stock based and cash awards to our non-employee directors, employees and consultants. The maximum number of shares of our common stock that may be issued or transferred pursuant to the Plan is 2,272,689 shares (of which 1,803,345 shares of common stock remain available for issuance as of June 30, 2015).

Shares of our restricted common stock generally may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent or the administrator of the Plan, a domestic relations order, unless and until all restrictions applicable to such shares have lapsed. Such restrictions generally expire upon vesting. Shares of our restricted common stock have full voting rights and rights to dividends.

We recognized equity compensation expense of $466,000 and $279,000 for the three months ended June 30, 2015 and 2014, respectively, and $815,000 and $451,000 for the six months ended June 30, 2015 and 2014, respectively, related to the restricted common stock grants ultimately expected to vest. Equity compensation expense is included in general and administrative and property expenses in the accompanying consolidated statements of operations. Certain amounts of equity compensation expense are capitalized for employees who provide leasing and construction services. We capitalized $30,000 and $41,000 of equity compensation costs related to these employees during the three months ended June 30, 2015 and 2014, respectively, and $49,000 and $70,000 of equity compensation costs related to these employees during the six months ended June 30, 2015 and 2014, respectively.

The following table sets forth our nonvested restricted stock activity for the six months ended June 30, 2015:

	Number of Nonvested Shares of Restricted Common Stock
Balance at January 1, 2015	320,017
Granted	125,614
Forfeited	(10,307)
Vested(1)	(27,861)
Balance at June 30, 2015	407,463

(1) 4,225 shares of the Company’s common stock were tendered in accordance with the terms of the Plan to satisfy minimum tax withholding requirements related to the shares of restricted common stock that have vested. We accept the return of shares at the current quoted closing share price of the Company's common stock on the NYSE to satisfy tax obligations

The following table sets forth the vesting schedule of total nonvested shares of restricted stock outstanding as of June 30, 2015:

	Number of Shares
July 1, 2015 - December 31, 2015	78,893
2016	128,658
2017	139,517
2018	41,776
2019	18,619
Total nonvested shares	407,463

As of June 30, 2015, there was approximately $4.2 million of total unrecognized compensation expense related to nonvested shares of our restricted common stock expected to vest, of which approximately $0.3 million will be capitalized for employees who provide leasing and construction services. As of June 30, 2015, this total unrecognized compensation expense is expected to be recognized over a weighted average remaining period of 32 months.

Changes in Accumulated Other Comprehensive Loss

The following table summarizes the changes in our accumulated other comprehensive loss balance for the six months ended June 30, 2015, which consists solely of adjustments related to our cash flow hedges:

	Accumulated Other Comprehensive Loss
Balance at January 1, 2015	$ (1,331,000)
Other comprehensive loss before reclassifications	(1,788,000)
Amounts reclassified from accumulated other comprehensive loss to interest expense	230,000
Net current period other comprehensive loss	(1,558,000)
Less other comprehensive loss attributable to noncontrolling interests	42,000
Other comprehensive loss attributable to common stockholders	(1,516,000)
Balance at June 30, 2015	$ (2,847,000)

15. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income (loss) from continuing operations	$ 196,000	$ 81,000	$ 277,000	$ (636,000)
Net (income) loss from continuing operations attributable to noncontrolling interests	(8,000)	(8,000)	(12,000)	67,000
Income from continuing operations attributable to participating securities	(49,000)	(24,000)	(99,000)	(40,000)
Income (loss) from continuing operations attributable to Rexford Industrial Realty, Inc.	$ 139,000	$ 49,000	$ 166,000	$ (609,000)
Income from discontinued operations	-	-	-	2,146,000
Income from discontinued operations attributable to noncontrolling interests	-	-	-	(227,000)
Income from discontinued operations attributable to participating securities	-	-	-	-
Income from discontinued operations attributable to Rexford Industrial Realty, Inc.	$ -	$ -	$ -	$ 1,919,000
Net income	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Net income attributable to noncontrolling interests	(8,000)	(8,000)	(12,000)	(160,000)
Net income attributable to participating securities	(49,000)	(24,000)	(99,000)	(40,000)
Net income attributable to Rexford Industrial Realty, Inc.	$ 139,000	$ 49,000	$ 166,000	$ 1,310,000
Denominator:				
Weighted average shares of common stock outstanding - basic and diluted	54,963,093	25,419,757	52,835,132	25,419,588
Earnings per share - Basic and Diluted:				
Net income (loss) from continuing operations attributable to common stockholders	$ -	$ -	$ -	$ (0.02)
Net income from discontinued operations attributable to common stockholders	$ -	$ -	$ -	$ 0.07
Net income attributable to common stockholders	$ -	$ -	$ -	$ 0.05

Participating securities include 407,463 and 203,264 shares of nonvested restricted stock outstanding at June 30, 2015 and 2014, respectively, which participate in non-forfeitable dividends of the Company. Participating securities have been allocated earnings, in proportion to total weighted average shares outstanding, based upon the greater of net income or common dividends declared.

The effect of including unvested restricted common stock using the treasury stock method was excluded from our calculation of weighted average shares of common stock outstanding – diluted, as its inclusion would have been antidilutive. In addition, as the effect of the conversion of OP Units into shares of our common stock is neither dilutive nor antidilutive, it has been excluded from our calculation of weighted average shares of common stock outstanding – diluted. As such, the number of weighted average shares of common stock outstanding, both basic and diluted, are the same for the three and six months ended June 30, 2015 and 2014.

16. Subsequent Events

Acquisitions

On July 10, 2015, we acquired the property located at 12720-12860 Danielson Court in Poway, California for a contract price of $16.9 million using funds from our Revolver. The property consists of six multi-tenant industrial buildings totaling 112,062 square feet, situated on 9.23 acres of land.

On July 29, 2015, we acquired the property located at 10950 Norwalk Blvd. and 12241 Lakeland Road in Santa Fe Springs, California for a contract price of approximately $5.0 million using funds from our Revolver. The property consists of one single-tenant industrial building totaling 18,995 square feet, situated on 2.85 acres of land.

First Amendment to Amended and Restated Credit Agreement

On July 15, 2015, we entered into a First Amendment to Amended and Restated Credit Agreement (the “First Amendment”) that provides for, among other things, the following changes to the Credit Facility:

- A maximum secured recourse debt covenant was added, which replaced the maximum recourse debt covenant in the Credit Facility;
- The cross default threshold for defaults in other material indebtedness was increased from $20 million to $80 million with respect to recourse debt and from $50 million to $150 million with respect to non-recourse debt; and
- The default threshold for judgments was increased from $20 million to $40 million.

Note Purchase Agreement

On July 16, 2015, we entered into a Note Purchase and Guarantee Agreement (the “NPGA”) for the private placement of $100 million of guaranteed senior notes, maturing on August 6, 2025, with a fixed annual interest rate of 4.29% (the “Notes”).

Interest on the Notes will be payable semiannually on February 6 and August 6 of each year, beginning on February 6, 2016. We may prepay at any time all or, from time to time, any part of the Notes, in amounts not less than $2.5 million of the 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 Credit Facility (see Note 6), and as further amended by the First Amendment. Subject to the terms of the NPGA and the Notes, 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 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 NPGA, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the Make-Whole Amount on the outstanding Notes will become due and payable at the option of the purchasers.

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

On August 6, 2015, we completed the issuance of the Notes.

Repayment of Debt

On August 6, 2015, we used a portion of the funds raised from the issuance of the Notes to pay in full the $42.75 million mortgage loan secured by our property known as the Glendale Commerce Center. We did not incur any prepayment penalties for repaying in advance of the maturity date of May 1, 2016.

On August 6 2015, we used a portion of the funds raised from the issuance of the Notes to pay in full the $48.5 million term loan secured by the first priority deed of trust on eight of our properties. We did not incur any prepayment penalties for repaying in advance of the maturity date of June 24, 2017.

OP Unit Conversions

Subsequent to June 30, 2015, 49,524 OP Units were converted into an equivalent number of shares of common stock.

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,” “estimates,” “expects,” “intends,” “may,” “plans” “projects,” “seeks,” “should,” “will,” 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;
- 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, as amended, for the year ended December 31, 2014.

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. Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments in Southern California infill markets.

We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily located in Southern California infill markets. As of June 30, 2015, our consolidated portfolio consisted of 107 properties with approximately 10.6 million rentable square feet. We also hold a 15% interest in a joint venture (the “JV”) that indirectly owns one property located in Ventura County with approximately 0.5 million square feet, which we manage. In addition we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986, 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.

Factors That May Influence Future Results of Operations

Acquisition and Development of Properties

Since our IPO, we have acquired 56 properties, aggregating approximately 5.7 million square feet, for approximately $614 million, and have expanded our consolidated portfolio by over 100% in approximately two years. Of these 56 properties, we have acquired 21 properties aggregating approximately 2.1 million square feet, that we consider “value-add acquisitions”. We consider a property to be a value-add acquisition when it provides opportunities for repositioning or redevelopment that we believe will increase the occupancy and the cash flow from the property. We intend to continue to grow our portfolio through disciplined acquisitions in prime Southern California infill markets, and will continue to pursue value-add acquisitions that will play a strategic role in our future growth.

Costs associated with acquisitions accounted for as business combinations are expensed as incurred. Acquisitions are subject to various risks and uncertainties, and we may be unable to complete an acquisition after making a nonrefundable deposit or incurring acquisition related costs. We expensed $847,000 and $1,080,000 of acquisition costs during the three and six months ended June 30, 2015, respectively, and we expect to incur additional acquisition costs during the remainder of 2015 as we continue to acquire properties and grow our portfolio. Costs associated with acquisitions accounted for as asset acquisitions are capitalized as part of the purchase price allocation. We capitalized $310,000 and $346,000 of these acquisition costs during the three and six months ended June 30, 2015, respectively.

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 at the time of acquisition. 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, stabilize the properties at occupancy rates that meet or exceed market rates. Consistent with this strategy, six of our properties, representing 680,258 square feet, were in various stages of redevelopment and repositioning as of June 30, 2015. The table below sets forth a summary of these properties:

				Estimated Construction Period		
Property (Submarket)	**Market**	**Rentable Square Feet**	**Acquisition Date**	**Start**	**Completion**	**Occupancy at 6/30/15**
1601 Alton Pkwy. (OC Airport)	Orange County	124,000	6/27/2014	4Q-2014	1Q-2016	39.8%
605 8th Street (San Fernando Valley)	Los Angeles County	56,780	8/26/2014	4Q-2014	3Q-2015	0.0%
7900 Nelson Rd. (San Fernando Valley)	Los Angeles County	203,082	11/25/2014	1Q-2015	3Q-2015	0.0%
9401 De Soto Ave. (San Fernando Valley)	Los Angeles County	150,263	3/18/2015	2Q-2015	3Q-2015	0.0%
2610 & 2701 S. Birch St. (OC Airport)	Orange County	98,230	6/5/2014	2Q-2015	4Q-2015	0.0%
24105 Frampton Ave. (South Bay)	Los Angeles County	47,903	3/20/2014	2Q-2015	1Q-2016	0.0%
Total/Weighted Average		680,258				7.3%

Properties that are undergoing repositioning or redevelopment may qualify for interest and real estate tax capitalization. We capitalized $387,000 and $559,000 of interest and real estate taxes during the three and six months ended June 30, 2015, respectively. An increase in our repositioning and development activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest and tax capitalization in future periods.

Rental Revenue and Tenant Reimbursements

We receive income primarily from rental revenue from our properties. The amount of rental revenue generated by the properties in our portfolio depends principally on the occupancy levels and lease rates at our properties, our ability to lease currently available space and space that becomes available as a result of lease expirations and on the rental rates at our properties.

Occupancy Rates. As of June 30, 2015, our consolidated portfolio was approximately 88.4% occupied and 90.0% leased. The difference between our occupancy percentage and leased percentage is attributed to our uncommenced leases.

The following table sets forth a summary of our portfolio's occupancy and annualized base rent by county as of June 30, 2015:

Market	Number of Properties	Square Feet	Occupancy	Annualized Base Rent(1)	Annualized Base Rent per Square Foot(2)
Los Angeles County	56	5,733,810	87.7%	$ 42,907,293	$ 8.53
Orange County	14	1,372,329	84.4%	$ 10,185,883	$ 8.79
San Bernardino County	11	1,046,466	96.7%	$ 7,342,285	$ 7.26
Ventura County	10	1,057,306	90.8%	$ 7,741,339	$ 8.07
San Diego County	16	1,439,857	87.5%	$ 13,142,630	$ 10.44
Total/Weighted Average	**107**	**10,649,768**	**88.4%**	**$ 81,319,430**	**$ 8.64**

(1) Calculated for each market as the monthly contracted base rent per the terms of the lease(s) at each property within each market, as of June 30, 2015, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.
(2) Calculated as annualized base rent for such market divided by leased square feet for such market as of June 30, 2015.

During the six months ended June 30, 2015, we entered into 15 leases that had not commenced as of June 30, 2015, representing 165,150 square feet, or 1.6% of our total rentable square feet. The following table sets forth information related to these uncommenced leases:

Market	Leased Square Feet Under Uncommenced Leases	Pro Forma Occupancy(1)	Annualized Base Rent Under Uncommenced Leases(2)	Total Pro Forma Annualized Base Rent(3)	Total Pro Forma Annualized Base Rent per Square Foot(4)
Los Angeles County	115,924	89.7%	$ 1,008,912	$ 43,916,205	$ 8.54
Orange County	3,820	84.7%	$ 48,379	$ 10,234,263	$ 8.81
San Bernardino County	-	96.7%	$ -	$ 7,342,285	$ 7.26
Ventura County	9,824	91.7%	$ 75,465	$ 7,816,805	$ 8.06
San Diego County	35,582	89.9%	$ 428,124	$ 13,570,754	$ 10.48
Total/Weighted Average	165,150	90.0%	$ 1,560,880	$ 82,880,312	$ 8.65

(1) Pro forma occupancy is calculated as (i) square footage under lease as of June 30, 2015, plus additional square footage leased pursuant to uncommenced leases as of June 30, 2015.
(2) Annualized base rent under uncommenced leases is calculated by multiplying the first full month of contractual rents (before rent abatements) to be received under uncommenced leases, by 12 and then aggregating by market.
(3) Total pro forma annualized base rent is calculated by adding (i) annualized base rent as of June 30, 2015 and (ii) annualized base rent under uncommenced leases.
(4) Total pro forma annualized base rent per square foot is calculated as (i) total pro forma annualized base rent as of June 30, 2015, divided by (ii) leased square feet and leased square feet under uncommenced leases.

Excluding properties in redevelopment or repositioning, our remaining properties were approximately 94.0% occupied as of June 30, 2015. We believe the opportunity to increase occupancy at our properties will be a significant driver of future revenue growth.

Leasing Activity and Rental Rates. During the six months ended June 30, 2015, we executed 129 new leases covering approximately 742,000 square feet and renewed 154 leases covering approximately 762,000 square feet. The following table sets forth our leasing activity on a quarterly basis for the six months ended June 30, 2015:

	Gross Leasing Activity							
	New Leases				Renewals			
Quarter	**Number of Leases**	**Rentable Square Feet**	**Cash Rent Change**	**GAAP Rent Change**	**Number of Leases**	**Rentable Square Feet**	**Cash Rent Change**	**GAAP Rent Change**
Q1-2015	72	458,301	5.7%	15.1%	69	319,849	3.9%	10.2%
Q2-2015	57	283,695	7.1%	14.4%	85	442,019	6.9%	15.9%
Total/Weighted Average	**129**	**741,996**	**6.3%**	**14.8%**	**154**	**761,868**	**5.6%**	**13.5%**

For the 129 new leases that were executed during the six months ended June 30, 2015, the leasing spreads increased by 6.3% on a cash basis and 14.8% on a GAAP basis, when comparing the ending cash rental rates on the expiring leases for the same space. For the 154 leases that we renewed during the six months ended June 30, 2015, the renewal spreads increased by 5.6% on a cash basis and 13.5% on a GAAP basis. Although our leasing spreads have varied from quarter to quarter, we believe that our recent leasing statistics are indicative of a trend of improving leasing fundamentals across our submarkets.

The following table summarizes our expiring and renewal leases and retention rate on a quarterly basis for the six months ended June 30, 2015:

	Expiring Leases		Renewal Leases		Retention %	
Quarter	**Number of Leases**	**Rentable Square Feet**	**Number of Leases**	**Rentable Square Feet**	**Number of Leases**	**Rentable Square Feet**
Q1-2015	120	625,534	69	319,849	57.5%	51.1%
Q2-2015	130	857,483	85	442,019	65.4%	51.5%
Total/Weighted Average	**250**	**1,483,017**	**154**	**761,868**	**61.6%**	**51.4%**

During the six months ended June 30, 2015, we had 250 leases covering approximately 1.5 million rentable square feet reach expiration, of which 154 leases covering approximately 762,000 square feet renewed and 96 leases covering approximately 721,000 square feet vacated. Of the approximately 721,000 square feet that vacated, 141,000 square feet was the result of 21 tenant defaults, 4,000 square feet was the result of three early terminations, 5,000 square feet was the result of four tenant relocations, and the remaining 571,000 square feet was the result of 68 tenants with natural lease expirations who did not renew.

Our leasing activity is impacted both by our own redeveloping and repositioning efforts as well as by market conditions. When we redevelop or reposition an entire property or partial properties, its space may become unavailable for leasing until completion of the redevelopment or repositioning efforts. The current quarter’s retention rate was impacted by move-outs at two repositioning properties, 2610 & 2701 S. Birch Street and 24105 Frampton Avenue, aggregating approximately 146,000 square feet. Adjusting for these two properties, our retention rate by rentable square feet would have been 62.1% and 57.0%, for the three and six months ended June 30, 2015, respectively.

Among the factors that affect lease rates on renewal is our acquisition activity. We may purchase a property with above or below market rental rates. We acquired nine properties during the six months ended June 30, 2015 and 36 properties during the year ended December 31, 2014. At the time of acquisition of some of these properties, our underwriting assumptions and what we believe to be our value-oriented purchase prices may have factored in anticipated or potential roll-downs or roll-ups in rent at some upcoming lease expirations.

Future economic downturns or regional downturns affecting our submarkets that impair our ability to renew or re-lease space and adverse developments that affect the ability of our tenants to fulfill their lease obligations, such as tenant bankruptcies, could adversely affect our ability to maintain or increase occupancy or rental rates at our properties. Adverse developments or trends in one or more of these factors could adversely affect our rental revenue in future periods. Additionally, due to the size of our tenant spaces compared with our peer group and our typically shorter-term leases, we may have increased exposure to a negative trend in rental rates among our target tenant base than other industrial REITs.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases will impact our results of operations and is affected by economic and competitive conditions in our markets and by the relative desirability of our individual properties. The following table sets forth a summary schedule of lease expirations for leases in place as of June 30, 2015, plus available space, for each of the full and partial calendar years beginning with 2015 and thereafter:

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet	Percentage of Total Owned Square Feet	Annualized Base Rent(1)	Percentage of Total Annualized Base Rent	Annualized Base Rent per Square Foot(2)
Available	-	1,232,852	11.6%	-	-	-
MTM Tenants (3)	106	192,524	1.8%	$ 2,136	2.6%	$ 11.10
2015	185	811,067	7.6%	7,424	9.1%	$ 9.15
2016	373	2,730,283	25.6%	22,010	27.1%	$ 8.06
2017	274	1,938,724	18.2%	16,687	20.5%	$ 8.61
2018	143	1,098,686	10.3%	9,943	12.2%	$ 9.05
2019	35	762,351	7.2%	6,216	7.7%	$ 8.15
2020	33	942,386	8.8%	8,392	10.3%	$ 8.91
2021	7	176,247	1.7%	2,162	2.7%	$ 12.26
2022	5	135,180	1.3%	728	0.9%	$ 5.38
2023	1	67,838	0.6%	882	1.1%	$ 13.01
2024	2	266,865	2.5%	1,977	2.4%	$ 7.41
Thereafter	3	294,765	2.8%	2,762	3.4%	$ 9.37
Total Consolidated Portfolio	1,167	10,649,768	100.0%	$ 81,319	100.0%	$ 8.64

(1) Calculated as monthly contracted base rent (in thousands) per the terms of such lease, as of June 30, 2015, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.
(2) Calculated as annualized base rent for such leases divided by the leased square feet for such leases at each of the properties so impacted by the lease expirations as of June 30, 2015.
(3) Represents tenants under month-to-month leases or having holdover tenancy.

The leases scheduled to expire during the years ending December 31, 2015, and December 31, 2016, represent approximately 9.1% and 27.1% respectively, of the total annualized base rent for our portfolio at June 30, 2015. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire in 2015 and 2016 are currently, on average, slightly below current market asking rents, although individual units or properties within any particular submarket presently may be leased either above, below, or at the current market asking rates within that submarket, and the average rental rates for individual submarkets may be above, below, or at the average cash rental rate of our portfolio. Over the last few years, we have noted that, generally, rental rates in our markets for product comparable to ours have begun to recover, and accordingly, we anticipate the potential for increases in our lease rates upon renewal of upcoming 2015 and 2016 lease expirations as market conditions continue to improve.

Taxable REIT Subsidiary

As of June 30, 2015, 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, 2015 and 2014.

Conditions in Our Markets

The properties in our portfolio are located primarily in Southern California infill markets. Positive or negative changes in economic or other conditions, adverse weather conditions and natural disasters in this market may affect our overall performance.

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 controlled, in part, by either the triple net provisions or modified gross expense reimbursements in tenant leases. 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.

General and Administrative Expenses

We expect to incur increased general and administrative expenses, including legal, accounting and other expenses related to corporate governance, public reporting and compliance with various provisions of the Sarbanes-Oxley Act, as compared to our predecessor. We anticipate that our staffing levels will increase from 60 employees presently to between 70 and 80 employees during the next 12 to 24 months and, as a result, our general and administrative expenses will increase further.

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. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on financial condition and results of operations. 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 impact the comparability of our results of operations and financial condition to those of other companies.

A critical accounting policy is one that is both important to the portrayal of an entity's financial condition and results of operations and requires judgment on the part of management. Generally, the judgment requires management to make estimates and assumptions about the effect of matters that are inherently uncertain. Estimates are prepared using management's best judgment, after considering past and current economic conditions and expectations for the future. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Changes in estimates could affect our financial position and specific items in our results of operations that are used by the users of our financial statements in their evaluation of our performance. Of the accounting policies discussed in Note 2 to the consolidated financial statements, the accounting policies presented below have been identified by us as critical accounting policies.

Investment in Real Estate

Acquisitions

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

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

In determining the fair value of intangible lease assets or liabilities, we consider Level 3 inputs. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above market leases and the initial term plus the term of any below market fixed rate renewal options for below market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. Acquisition costs associated with the business combination are expensed in the period they are incurred.

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

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

Capitalization of Costs

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

Impairment of Long-Lived Assets

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 our real estate assets for recoverability, we consider current market conditions, as well as our intent with respect to holding or disposing of the asset. Our intent with regard to the underlying assets might change as market conditions change, as well as other factors, especially in the current global economic environment. 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 and 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 our estimates of future expectations and the strategic plan we use 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 recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

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

Revenue Recognition

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

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

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

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

Valuation of Receivables

We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods.

Results of Operations

Comparison of the Three Months Ended June 30, 2015 to the Three Months Ended June 30, 2014

Our results of operations for all periods presented were affected by acquisitions and dispositions made during the six months ended June 30, 2015, and the year ended December 31, 2014. Therefore, our results are not comparable from period to period. 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, we have separately presented the results of our "Same Properties Portfolio."

Properties included in our Same Properties Portfolio are the properties in our industrial portfolio that were wholly-owned by us as of January 1, 2014 and still owned by us as of June 30, 2015. Results for our Same Properties Portfolio exclude our joint venture property, any properties that were acquired or sold during the six months ended June 30, 2015 and the year ended December 31, 2014, and corporate general and administrative expenses. For the comparison of the three months ended June 30, 2015 to the three months ended June 30, 2014, our Same Properties Portfolio consists of 62 properties aggregating approximately 6.1 million square feet.

The results of our Same Properties Portfolio are presented to highlight for investors and users of our consolidated financial statements the operating results of our on-going business.

	Same Properties Portfolio				Total Portfolio			
	Three Months Ended June 30,		Increase/	%	Three Months Ended June 30,		Increase/	%
	2015	2014	(Decrease)	Change	2015	2014	(Decrease)	Change
RENTAL REVENUES								
Rental income	$ 11,982,000	$ 11,505,000	$ 477,000	4.1%	$ 19,275,000	$ 12,773,000	$ 6,502,000	50.9%
Tenant reimbursements	1,665,000	1,489,000	176,000	11.8%	2,844,000	1,681,000	1,163,000	69.2%
Management, leasing and development services	-	-	-	-%	161,000	249,000	(88,000)	(35.3%)
Other income	86,000	19,000	67,000	352.6%	162,000	15,000	147,000	980.0%
TOTAL RENTAL REVENUES	13,733,000	13,013,000	720,000	5.5%	22,442,000	14,718,000	7,724,000	52.5%
Interest income	280,000	278,000	2,000	0.7%	280,000	278,000	2,000	0.7%
TOTAL REVENUES	14,013,000	13,291,000	722,000	5.4%	22,722,000	14,996,000	7,726,000	51.5%
EXPENSES								
Property expenses	3,667,000	3,532,000	135,000	3.8%	5,874,000	3,892,000	1,982,000	50.9%
General and administrative	-	-	-	-%	3,740,000	2,780,000	960,000	34.5%
Depreciation and amortization	4,708,000	5,279,000	(571,000)	(10.8%)	10,490,000	6,003,000	4,487,000	74.7%
TOTAL OPERATING EXPENSES	8,375,000	8,811,000	(436,000)	(4.9%)	20,104,000	12,675,000	7,429,000	58.6%
OTHER EXPENSE								
Acquisition expenses	-	-	-	-%	847,000	652,000	195,000	29.9%
Interest expense	235,000	294,000	(59,000)	(20.1%)	1,658,000	1,537,000	121,000	7.9%
TOTAL OTHER EXPENSE	235,000	294,000	(59,000)	(20.1%)	2,505,000	2,189,000	316,000	14.4%
TOTAL EXPENSES	8,610,000	9,105,000	(495,000)	(5.4%)	22,609,000	14,864,000	7,745,000	52.1%
Equity in income (loss) of unconsolidated real estate entities	-	-	-		12,000	(51,000)	63,000	
Gain on extinguishment of debt	-	-	-		71,000	-	71,000	
NET INCOME	$ 5,403,000	$ 4,186,000	$ 1,217,000		$ 196,000	$ 81,000	$ 115,000	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental revenue increased approximately $0.5 million, or 4.1%, and approximately $6.5 million, or 50.9%, respectively, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The increase in our Same Properties Portfolio is primarily due to the increase in our average occupancy for comparable periods and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the revenues from the 40 properties we acquired between April 1, 2014 and June 30, 2015.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased approximately $0.2 million, or 11.8%, and increased approximately $1.2 million, or 69.2%, respectively, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The increase in our Same Properties Portfolio is primarily due to timing differences in completing prior year recoverable expense reconciliations for comparable periods. Our Total Portfolio tenant reimbursements revenue was also impacted by reimbursements from the 40 properties we acquired between April 1, 2014 and June 30, 2015.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased approximately $0.1 million, or 35.3%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. This was primarily due to lower management fees from our JV as a result of the sale of two of the three buildings owned by the JV in November 2014.

Other Income

Our Same Properties Portfolio and Total Portfolio other income increased approximately $0.1 million, or 352.6%, and increased approximately $0.1 million, or 980.0%, respectively, for the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily due to an increase in late fee income.

Property Expenses

Our Same Properties Portfolio property expenses increased approximately $0.1 million, or 3.8%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily due an increase in allocated property overhead costs. Our Total Portfolio property expenses increased approximately $2.0 million, or 50.9%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily as a result of incremental expenses from the 40 properties we acquired between April 1, 2014 and June 30, 2015.

General and Administrative

Our Total Portfolio general and administrative expenses increased approximately $1.0 million, or 34.5%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. The increase is primarily due to an approximately $0.2 million increase in non-cash equity compensation expense due to restricted stock grants made subsequent to June 30, 2014, an approximately $0.2 million increase in bonus expense and approximately $0.2 million increase in payroll and benefits expense due to increased staffing levels, an approximately $0.1 million increase in professional audit and tax fees, an approximately $0.1 million increase in overhead costs related to rent and professional fees and an approximately $0.1 million increase in corporate public company expenses.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased approximately $0.6 million, or 10.8%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during the six months ended June 30, 2015 and the year ended December 31, 2014. Our Total Portfolio depreciation and amortization expense increased approximately $4.5 million, or 74.7%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily due to incremental expenses from the 40 properties we acquired between April 1, 2014 and June 30, 2015.

Acquisition Expenses

Our Total Portfolio acquisition expenses increased approximately $0.2 million, or 29.9%, during the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily due to increased brokerage fees related to acquisitions completed during the current period.

Interest Expense

Our Same Properties Portfolio interest expense decreased by approximately $0.1 million, or 20.1%, for the three months ended June 30, 2015 compared to the three months ended June 30, 2014, due to the repayment of the note secured by our property located at 10700 Jersey Boulevard in October 2014. Our Total Portfolio interest expense increased by approximately $0.1 million, or 7.9%, for the three months ended June 30, 2015 compared to the three months ended June 30, 2014. This was primarily due to incremental interest expense from the mortgage loan we assumed during May 2014 and the $48.5 million term loan we obtained during June 2014, incremental interest expense from our effective interest rate swap and an increase in unused commitment fees resulting from a lower average outstanding balance on our revolving credit facility during comparable periods. The increase was partially offset by a decrease in interest expense resulting from a lower average outstanding balance on our revolving credit facility during comparable periods.

Equity in Income (Loss) of Unconsolidated Real Estate Entities

Equity in income (loss) of unconsolidated real estate entities includes our equity interests in the operating results of the properties held by our JV and basis adjustments related to these properties. In November 2014, the JV sold two of the three buildings owned by the JV. Our Total Portfolio equity in income of unconsolidated real estate entities increased by $63,000 for the three months ended June 30, 2015 compared to the three months ended June 30, 2014, primarily as a result of the change in basis adjustments following the sale of these properties.

Gain on Extinguishment of Debt

The gain on extinguishment of debt of approximately $0.1 million for the three months ended June 30, 2015 resulted from the early repayment of the mortgage loan secured by our property located at 2980-2990 San Fernando Road. The loan was repaid on April 1, 2015 with no prepayment fees incurred.

Comparison of the Six Months Ended June 30, 2015 to the Six Months Ended June 30, 2014

Our results of operations for all periods presented were affected by acquisitions and dispositions made during the six months ended June 30, 2015, and the year ended December 31, 2014. Therefore, our results are not comparable from period to period. 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, we have separately presented the results of our “Same Properties Portfolio.”

Properties included in our Same Properties Portfolio are the properties in our industrial portfolio that were wholly-owned by us as of January 1, 2014 and still owned by us as of June 30, 2015. Results for our Same Properties Portfolio exclude our joint venture property, any properties that were acquired or sold during the six months ended June 30, 2015 and the year ended December 31, 2014, and corporate general and administrative expenses. For the comparison of the six months ended June 30, 2015 to the six months ended June 30, 2014, our Same Properties Portfolio consists of 62 properties aggregating approximately 6.1 million square feet.

The results of our Same Properties Portfolio are presented to highlight for investors and users of our consolidated financial statements the operating results of our on-going business.

	Same Properties Portfolio				Total Portfolio			
	Six Months Ended June 30,		Increase/	%	Six Months Ended June 30,		Increase/	%
	2015	2014	(Decrease)	Change	2015	2014	(Decrease)	Change
RENTAL REVENUES								
Rental income	$ 23,735,000	$ 22,655,000	$ 1,080,000	4.8%	$ 37,832,000	$ 24,401,000	$ 13,431,000	55.0%
Tenant reimbursements	3,073,000	2,964,000	109,000	3.7%	5,028,000	3,192,000	1,836,000	57.5%
Management, leasing and development services	-	-	-	-%	293,000	483,000	(190,000)	(39.3%)
Other income	123,000	56,000	67,000	119.6%	352,000	57,000	295,000	517.5%
TOTAL RENTAL REVENUES	26,931,000	25,675,000	1,256,000	4.9%	43,505,000	28,133,000	15,372,000	54.6%
Interest income	557,000	554,000	3,000	0.5%	557,000	554,000	3,000	0.5%
TOTAL REVENUES	27,488,000	26,229,000	1,259,000	4.8%	44,062,000	28,687,000	15,375,000	53.6%
EXPENSES								
Property expenses	7,391,000	7,393,000	(2,000)	(0.0%)	11,645,000	8,026,000	3,619,000	45.1%
General and administrative	-	-	-	-%	7,286,000	5,385,000	1,901,000	35.3%
Depreciation and amortization	9,334,000	11,022,000	(1,688,000)	(15.3%)	20,374,000	12,133,000	8,241,000	67.9%
TOTAL OPERATING EXPENSES	16,725,000	18,415,000	(1,690,000)	(9.2%)	39,305,000	25,544,000	13,761,000	53.9%
OTHER EXPENSE								
Acquisition expenses	-	-	-	-%	1,080,000	985,000	95,000	9.6%
Interest expense	471,000	583,000	(112,000)	(19.2%)	3,484,000	2,788,000	696,000	25.0%
TOTAL OTHER EXPENSE	471,000	583,000	(112,000)	(19.2%)	4,564,000	3,773,000	791,000	21.0%
TOTAL EXPENSES	17,196,000	18,998,000	(1,802,000)	(9.5%)	43,869,000	29,317,000	14,552,000	49.6%
Equity in income (loss) of unconsolidated real estate entities	-	-	-		13,000	(6,000)	19,000	
Gain on extinguishment of debt	-	-	-		71,000	-	71,000	
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	10,292,000	7,231,000	3,061,000		277,000	(636,000)	913,000	
DISCONTINUED OPERATIONS								
Income from discontinued operations before gain on sale of real estate and loss on extinguishment of debt	-	-	-		-	21,000	(21,000)	
Gain on sale of real estate	-	-	-		-	2,125,000	(2,125,000)	
INCOME FROM DISCONTINUED OPERATIONS	-	-	-		-	2,146,000	(2,146,000)	
NET INCOME	$ 10,292,000	$ 7,231,000	$ 3,061,000		$ 277,000	$ 1,510,000	$ (1,233,000)	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental revenue increased approximately $1.1 million, or 4.8%, and approximately $13.4 million, or 55.0%, respectively, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. The increase in our Same Properties Portfolio is primarily due to the increase in our average occupancy for comparable periods and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the revenues from the 45 properties we acquired between January 1, 2014 and June 30, 2015.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased approximately $0.1 million, or 3.7%, and increased approximately $1.8 million, or 57.5%, respectively, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. The increase in our Same Properties Portfolio is primarily due to timing differences in completing prior year recoverable expense reconciliations for comparable periods. Our Total Portfolio tenant reimbursements increased due to the 45 properties we acquired between January 1, 2014 and June 30, 2015.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased approximately $0.2 million, or 39.3%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. This was primarily due to lower management fees from our JV as a result of the sale of two of the three buildings owned by the JV in November 2014.

Other Income

Our Same Properties Portfolio other income increased approximately $0.1 million, or 119.6%, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily due to an increase in late fee income. Our Total Portfolio other income increased approximately $0.3 million, or 517.5%, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily due to filming income at one of our properties and an increase in late fee income.

Property Expenses

Our Same Properties Portfolio property expenses remained stable during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. Our Total Portfolio property expenses increased approximately $3.6 million, or 45.1%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily as a result of incremental expenses from the 45 properties we acquired between January 1, 2014 and June 30, 2015.

General and Administrative

Our Total Portfolio general and administrative expenses increased approximately $1.9 million, or 35.3%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. The increase is primarily due to an approximately $0.4 million increase in payroll and benefits expense due to increased staffing levels, an approximately $0.4 million increase in non-cash equity compensation expense due to restricted stock grants made subsequent to June 30, 2014, an approximately $0.4 million increase in legal expenses, an approximately $0.3 million increase in professional audit and tax fees, and an approximately $0.2 million increase in corporate public company expenses.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased approximately $1.7 million, or 15.3%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014 due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during the six months ended June 30, 2015 and the year ended December 31, 2014. Our Total Portfolio depreciation and amortization expense increased approximately $8.2 million, or 67.9%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014 due to incremental expenses from the 45 properties we acquired between January 1, 2014 and June 30, 2015.

Acquisition Expenses

Our Total Portfolio acquisition expenses increased approximately $0.1 million, or 9.6%, during the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily due to increased brokerage fees related to acquisitions completed during the current period.

Interest Expense

Our Same Properties Portfolio interest expense decreased by approximately $0.1 million, or 19.2%, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, due to the repayment of the note secured by our property located at 10700 Jersey Boulevard in October 2014. Our Total Portfolio interest expense increased by approximately $0.7 million, or 25.0%, for the six months ended June 30, 2015 compared to the six months ended June 30, 2014. This was primarily due to incremental interest expense from the mortgage loan we assumed during May 2014 and the $48.5 million term loan we obtained during June 2014, incremental interest expense from our effective interest rate swap and an increase in unused commitment fees resulting from a lower average outstanding balance on our revolving credit facility during comparable periods. The increase was partially offset by a decrease in interest expense resulting from a lower average outstanding balance on our revolving credit facility during comparable periods.

Equity in Income (Loss) of Unconsolidated Real Estate Entities

Equity in income (loss) of unconsolidated real estate entities includes our equity interests in the operating results of the properties held by our JV and basis adjustments related to these properties. In November 2014, the JV sold two of the three buildings owned by the JV. Our Total Portfolio equity in income (loss) of unconsolidated real estate entities increased by $19,000 for the six months ended June 30, 2015 compared to the six months ended June 30, 2014, primarily as a result of the change in basis adjustments following the sale of these properties.

Gain on Extinguishment of Debt

The gain on extinguishment of debt of approximately $0.1 million for the six months ended June 30, 2015 resulted from the early repayment of the mortgage loan secured by our property located at 2980-2990 San Fernando Road. The loan was repaid on April 1, 2015 with no prepayment fees incurred.

Discontinued Operations

Our income from discontinued operations of $2.1 million for the six months ended June 30, 2014 is comprised primarily of the gain on sale of our property located at 1335 Park Center Drive, partially offset by the loss on sale of our property located at 2900 N. Madera Road.

Non-GAAP Supplemental Measure: Funds From Operations

We calculate funds from operations (“FFO”) before non-controlling interest 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, 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 FFO before non-controlling interest for the periods presented to net income, the nearest GAAP equivalent:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Funds From Operations (FFO)				
Net income	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Add:				
Depreciation and amortization, including amounts in discontinued operations	10,490,000	6,003,000	20,374,000	12,140,000
Depreciation and amortization from unconsolidated joint venture(1)	20,000	103,000	48,000	188,000
Deduct:				
Gain on sale of real estate	-	-	-	(2,125,000)
Funds from operations	$ 10,706,000	$ 6,187,000	$ 20,699,000	$ 11,713,000

(1) Amount represents our 15% ownership of the Mission Oaks unconsolidated joint venture.

Non-GAAP Supplemental Measure: NOI and Cash NOI

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

NOI on a cash-basis ("Cash NOI") is a non-GAAP measure, which we calculate by adding or subtracting from NOI i) fair value lease revenue and ii) straight-line rent adjustment. 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Rental revenues	$ 19,275,000	$ 12,773,000	$ 37,832,000	$ 24,401,000
Tenant reimbursements	2,844,000	1,681,000	5,028,000	3,192,000
Other income	162,000	15,000	352,000	57,000
Total operating revenues	22,281,000	14,469,000	43,212,000	27,650,000
Property expenses	5,874,000	3,892,000	11,645,000	8,026,000
Net Operating Income	$ 16,407,000	$ 10,577,000	$ 31,567,000	$ 19,624,000
Fair value lease revenue	46,000	73,000	85,000	154,000
Straight line rent adjustment	(612,000)	(436,000)	(977,000)	(644,000)
Cash Net Operating Income	$ 15,841,000	$ 10,214,000	$ 30,675,000	$ 19,134,000

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Add:				
General and administrative	3,740,000	2,780,000	7,286,000	5,385,000
Depreciation and amortization	10,490,000	6,003,000	20,374,000	12,133,000
Acquisitions expense	847,000	652,000	1,080,000	985,000
Interest expense	1,658,000	1,537,000	3,484,000	2,788,000
Deduct:				
Management, leasing and development services	161,000	249,000	293,000	483,000
Interest income	280,000	278,000	557,000	554,000
Equity in income (loss) of unconsolidated real estate entities	12,000	(51,000)	13,000	(6,000)
Gain on extinguishment of debt	71,000	-	71,000	-
Income from discontinued operations before gain on sale of real estate	-	-	-	21,000
Gain on sale of real estate	-	-	-	2,125,000
Net Operating Income	$ 16,407,000	$ 10,577,000	$ 31,567,000	$ 19,624,000
Fair value lease revenue	46,000	73,000	85,000	154,000
Straight line rent adjustment	(612,000)	(436,000)	(977,000)	(644,000)
Cash Net Operating Income	$ 15,841,000	$ 10,214,000	$ 30,675,000	$ 19,134,000

Non-GAAP Supplemental Measure: EBITDA

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	$ 196,000	$ 81,000	$ 277,000	$ 1,510,000
Interest expense	1,658,000	1,537,000	3,484,000	2,788,000
Proportionate share of interest expense from unconsolidated joint venture	-	45,000	-	102,000
Depreciation and amortization, including amounts in discontinued operations	10,490,000	6,003,000	20,374,000	12,140,000
Proportionate share of real estate related depreciation and amortization from unconsolidated joint venture	20,000	103,000	48,000	188,000
EBITDA	$ 12,364,000	$ 7,769,000	$ 24,183,000	$ 16,728,000

Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses, interest expense and scheduled principal payments on outstanding indebtedness, general and administrative expenses, capital expenditures for tenant improvements and leasing commissions and distributions to our common stockholders and holders of common 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 pursuant to the ATM Program described below. As of June 30, 2015, our cash and cash equivalents were approximately

$10.0 million, and our outstanding balance under our unsecured revolving credit facility was $37.0 million, leaving $163.0 million available for additional borrowings.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. During 2015, we expect to close on acquisitions aggregating $250 million or more. As of August 7, 2015, we have already closed on approximately $133 million, and we currently have $58 million of acquisitions in escrow and outstanding letters of intent for properties aggregating approximately $63 million, which we anticipate closing in the coming quarters. We intend to satisfy our long-term liquidity needs through cash flow from operations, long-term secured and unsecured borrowings, borrowings available under our revolving credit facility and the issuance of equity securities.

On April 17, 2015, we established an at-the-market equity offering program (the "ATM Program") pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to $125,000,000 in amounts and at times to be determined by us from time to time. Actual 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, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us. We intend to use the net proceeds from the offering of shares under the 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. As of August 7, 2015, we have not sold any shares of common stock pursuant to the ATM Program.

On February 3, 2015, we completed a public follow-on offering of 11,500,000 shares of common stock at a price per share of $16.00. The net proceeds of the follow-on offering were approximately $176.3 million, after deducting the underwriting discount and offering costs paid aggregating approximately $7.7 million. The net proceeds from this offering were used to repay all of the outstanding borrowings under our unsecured revolving credit facility, which had an outstanding balance of $116.0 million on February 6, 2015, the date of repayment, as well as to fund four of our acquisitions and for general corporate purposes.

The offering noted above was made pursuant to a shelf registration statement declared effective by the SEC on August 12, 2014, whereby we may offer and sell an indeterminate number of equity securities up to a total dollar amount of $750,000,000. From time to time, we may decide to issue additional securities under this shelf registration statement to fund acquisitions, the repayment of long-term debt upon maturity and for other general corporate purposes.

At June 30, 2015, we had total indebtedness of approximately $296.7 million, reflecting a net debt to total market capitalization of approximately 25.6%. Our total market capitalization is defined as the sum of the market value of our outstanding 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.

Unsecured Revolving Credit and Term Loan Facilities

We have a senior unsecured revolving credit facility with borrowing capacity of $200.0 million (the "Revolver") and a senior unsecured term loan facility (the "Term Loan Facility") with borrowing capacity of $100.0 million (together the "Credit Facility"). The Revolver is scheduled to mature on June 11, 2018 with one 12-month extension option available, subject to certain conditions, and the Term Loan Facility is scheduled to mature on June 11, 2019. The aggregate principal amount of the Credit Facility may be increased to a total of up to $600.0 million, which may be comprised of additional revolving commitments under the Revolver or an increase to the Term Loan Facility, or any combination of the foregoing, subject to the satisfaction of specified conditions and the identification of lenders willing to make available such additional amounts.

Interest on the Credit Facility is generally to be paid based upon, at our option, either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we attain an investment grade rating by two or more of Standard & Poor's, Moody's Investor Services and Fitch Ratings, the applicable LIBOR margin will range from 1.30% to 1.90% for the Revolver and 1.25% to 1.85% for the Term Loan Facility, depending on the our Leverage Ratio (as defined in the credit agreement). During February 2015, our Revolver and Term Loan Facility were assigned an investment grade rating of BBB- by Fitch Ratings. Additionally, a quarterly facility fee is paid on the undrawn portion of the Revolver in an amount equal to 0.20% or 0.30% depending on the undrawn amount of the Revolver.

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

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

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

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

Additionally, the Credit Facility provides 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.

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. We believe we are currently in compliance with all of the financial covenants required by our loan agreements.

Consolidated Indebtedness

The following table sets forth certain information with respect to our consolidated indebtedness outstanding as of June 30, 2015 (dollars in thousands):

	Principal Amount(1)	Interest Rate	Effective Interest Rate(2)	Contractual Maturity Date
Fixed Rate Debt				
The Park	$ 3,109	5.125%	5.125%	3/1/2031
$60M Term Loan	30,000	3.726% (3)	3.726%	8/1/2019 (4)
12907 Imperial Hwy	5,356	5.950%	5.950%	4/1/2018
Subtotal	38,465			
Variable Rate Debt				
Glendale Commerce Center	42,750	LIBOR + 2.00%	2.19% (5)	5/1/2016 (6)
$60M Term Loan	30,000	LIBOR + 1.90% (3)	2.09% (5)	8/1/2019 (4)
$48.5M Term Loan	48,500	LIBOR + 1.55%	1.74% (5)	6/24/2017 (6)
$100M Term Loan Facility	100,000	LIBOR + 1.25% (7)	1.44% (5)	6/11/2019
Revolving Credit Facility	37,000	LIBOR + 1.30% (7)	1.49% (5)(8)	6/11/2018
Subtotal	258,250			
Total/Weighted Average	$ 296,715		2.02%	

(1) Excludes deferred loan fees and net debt premiums aggregating approximately $0.4 million at June 30, 2015.
(2) Reflects the interest rate at June 30, 2015, excluding the effect of amortization of discounts/premiums and deferred loan costs.
(3) As of June 30, 2015, $30 million of the $60 million variable-rate term loan has been effectively fixed at 3.726% through the use of an interest rate swap with an effective date of January 15, 2015, and as such, is included in this table as fixed rate debt. The remaining $30 million is included in this table as variable rate debt.
(4) With one 1-year option to extend, provided that certain conditions are satisfied.

(5) Based on the 30-day LIBOR rate as of June 30, 2015, as defined under the respective loan agreements.
(6) These loans were repaid on August 6, 2015. See Part II, Item 5 for additional information.
(7) The LIBOR margin will range from 1.30% to 1.90% for the revolving credit facility and 1.25% to 1.85% for the Term Loan Facility, depending on our Leverage Ratio, as defined in the loan agreement.
(8) Excludes the effect of the unused commitment fee, which is calculated as 0.30% or 0.20% of the daily unused commitment if the balance is under $100 million or over $100 million, respectively.

At June 30, 2015, we had total consolidated indebtedness of approximately $296.7 million, excluding deferred loan fees and net debt premiums aggregating approximately $0.4 million, with a weighted average interest rate of approximately 2.02% (based on the LIBOR rates in effect on June 30, 2015, and a margin of 130 basis points and 125 basis points on our Revolver and Term Loan Facility, respectively) and average term-to-maturity of 3.2 years. As of June 30, 2015, $30.0 million of the Company’s variable rate debt has been effectively fixed at 3.726% through the use of an interest rate swap. As a result, as of June 30, 2015, approximately $38.5 million, or 13.0% of our outstanding indebtedness was fixed-rate debt with a weighted average interest rate of 4.15% and an average term-to-maturity of 4.8 years and the remaining $258.3 million, or 87.0%, of our outstanding indebtedness was variable rate debt, with a weighted average interest rate of LIBOR + 1.51% and an average term-to-maturity of 2.9 years.

In addition to the swap noted above, we have another three forward interest rate swaps that will effectively fix an additional $130.0 million of our floating rate debt as follows: (i) $30 million at 3.91% from 7/15/15 to 2/15/19, (ii) $50 million at 1.79% plus the applicable margin on our Term Loan Facility from 8/14/15 to 12/14/18, and (ii) $50 million at 2.005% plus the applicable margin on our Term Loan Facility from 2/16/16 to 12/14/18. If all of these interest rate swaps were effective as of June 30, 2015, our consolidated debt would be 57% fixed-rate and 43% variable-rate.

See Part II, Item 5 “Other Information” for a description of transactions occurring subsequent to June 30, 2015 that affect our consolidated indebtedness.

Debt Covenants

In addition to our Credit Facility, certain of our other loan agreements contain financial covenants. The Glendale Commerce Center loan contains the financial covenants noted below. Additionally, there is a debt service coverage ratio requirement and a loan-to-value ratio requirement that is tested each time we exercise an option to extend the maturity date of the loan.

- Maintaining a Debt Service Coverage Ratio (as defined in the tern 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) $5,000,000, 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 $75,000,000, to be tested annually as of December 31 of each year.

Our $60.0 million term loan contains the following financial covenants:

- Maintaining a Debt Service Coverage Ratio (as defined in the tern 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) $5,000,000, or (ii) $8,000,000 if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which $2,000,000 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 $75,000,000, to be tested annually as of December 31 of each year.

Our $48.5 million term loan contains a performance covenant that is tested annually and requires the achievement of a minimum in-place debt yield of 9.25% by the eight properties securing the loan.

We were in compliance with all of our quarterly debt covenants as of June 30, 2015.

Contractual Obligations

The following table sets forth our principal obligations and commitments, including periodic interest payments related to our indebtedness outstanding as of June 30, 2015 (in thousands):

	Payments by Period						
	Total	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Principal payments	$ 296,715	$ 122	$ 43,002	$ 48,766	$ 42,208	$ 160,158	$ 2,459
Interest payments - fixed-rate debt	2,304	238	465	451	238	130	782
Interest payments - variable-rate debt(1)	14,866	2,509	4,394	3,643	2,933	1,387	-
Interest rate swap payments(2)	9,040	818	2,647	2,750	2,693	133	-
Office lease payments	2,197	238	520	543	559	337	-
Ground lease payments	6,756	72	144	144	144	144	6,108
Contractual obligations(3)	5,335	5,335	-	-	-	-	-
Total	$ 337,213	$ 9,332	$ 51,172	$ 56,297	$ 48,775	$ 162,289	$ 9,349

(1) Based on the 30-day LIBOR rate as of June 30, 2015, as defined under the respective loan agreements.
(2) Reflects estimated payments to counterparties assuming that LIBOR is equal to 0.1865% from the effective date through the termination date of each respective interest rate swap.
(3) Includes commitments for tenant improvement and construction work related to obligations under certain tenant leases and vendor contracts.

Off Balance Sheet Arrangements

As of June 30, 2015, we did not have any off-balance sheet arrangements other than the one unconsolidated real estate entity which has been disclosed in the notes to our consolidated financial statements.

Cash Flows

Comparison of the Six Months Ended June 30, 2015 to the Six Months Ended June 30, 2014

The following table summarizes the cash flows of Rexford Industrial Realty, Inc. for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30,		
	2015	**2014**	**Change**
	(dollars in thousands)		
Cash provided by operating activities	$ 17,824	$ 9,375	$ 8,449
Cash used in investing activities	$ (114,194)	$ (164,657)	$ 50,463
Cash provided by financing activities	$ 97,752	$ 155,557	$ (57,805)

Net cash provided by operating activities. Net cash provided by operating activities increased by $8.4 million to $17.8 million for the six months ended June 30, 2015 compared to $9.4 million for the six months ended June 30, 2014. The increase is primarily attributable to incremental cash flows from property acquisitions completed after January 1, 2014 and increases in Cash NOI from our Same Properties Portfolio, partially offset by fluctuations in working capital and higher cash interest paid for comparable periods.

Net cash used in investing activities. Net cash used in investing activities decreased by $50.5 million to $114.2 million for the six months ended June 30, 2015 compared to $164.7 million for the six months ended June 30, 2014. The decrease is primarily attributable to a decrease in cash paid for property acquisitions of $69.5 million for comparable periods, partially offset by net proceeds of $13.8 million received from property dispositions during the six months ended June 30, 2014, and an increase in cash paid for construction and development projects of $5.4 million for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities was $97.8 million for the six months ended June 30, 2015, and consists primarily of $176.1 million in net common stock issuance proceeds, partially offset by net payments of $55.5 million on our unsecured revolving credit facility, the repayment of a term loan with a remaining principal balance of $10.1 million and the payment of $12.4 million in dividends and distributions. Net cash provided by financing activities was $155.6 million for the six months ended June 30, 2014, and consists primarily of net borrowings of $118.5 million on our unsecured revolving credit facility and proceeds from a new $48.5 million term loan borrowing, partially offset by the payment of $9.4 million in dividends and distributions and $1.9 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 debt used to satisfy various short-term and long-term liquidity needs, which bears interest at variable rates. We use interest rate swaps to manage, or hedge, interest rate risks related to our borrowings. Because actual interest rate movements over time are uncertain, our swaps pose potential interest rate risks, notably if interest rates fall. We also expose ourselves to credit risk, which we attempt to minimize by contracting with highly-rated banking financial counterparties. For a summary of our variable-rate debt outstanding and our interest rate swaps, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.

Based upon the amount of variable-rate debt outstanding as of June 30, 2015, 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 $1.3 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would be approximately $0.5 million annually. This does not include $30 million of our variable- rate debt that has been effectively fixed through the use of interest rate swaps as of June 30, 2015.

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. These analyses do not consider 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, these analyses assume no changes in our financial structure.

Item 4. 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, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2015, the end of the period covered by this report. Based on the foregoing, our Co-Chief Executive Officers and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective at the reasonable assurance level.

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

During the second quarter of 2015, the Company entered into a settlement agreement with respect to previously-disclosed litigation involving certain of its pre-IPO investors. The aggregate amount paid by the Company in this settlement was not material.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

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

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, 2015 to April 30, 2015(1)	4,225	$ 15.87	N/A	N/A
May 1, 2015 to May 31, 2015	-	-	N/A	N/A
June 1, 2015 to June 30, 2015	-	-	N/A	N/A
	4,225	$ 15.87	N/A	N/A

(1) In April 2015, 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

As previously reported, on July 16, 2015, we entered into a Note Purchase and Guarantee Agreement (the “NPGA”) for the private placement of $100 million of guaranteed senior notes, maturing on August 6, 2025, with a fixed annual interest rate of 4.29% (the “Notes”). We previously disclosed this agreement in the Current Report on Form 8-K dated July 15, 2015. On August 6, 2015, we completed the issuance of the Notes.

On August 6, 2015, we used a portion of the funds raised from the issuance of the Notes, to terminate and pay in full the $42.75 million principal outstanding under the Term Loan Agreement dated as of April 16, 2013 by and among RIF V – Glendale Commerce Center, LLC, RIF V – GCC Alcorn, LLC and RIF V – 3360 San Fernando, LLC, collectively as Borrower, and Bank of America, N.A., as Lender (the “GCC Loan”). The GCC Loan was secured by our property known as the Glendale Commerce Center. We did not incur any prepayment penalties for repaying in advance of the maturity date of May 1, 2016.

On August 6, 2015, we used a portion of the funds raised from the issuance of the Notes to terminate and pay in full the $48.5 million principal outstanding under the Loan and Security Agreement, dated as of June 24, 2014, by and among Rexford Industrial – SDLAOC, LLC, as borrower, and JPMorgan Chase Bank, N.A., as Administrative Agent, the Lenders referenced therein, and J.P. Morgan Securities LLC, as Sole Bookrunner and Sole Lead Arranger (the “Term Loan”). The Term Loan was secured by the first priority deed of trust on eight of our properties. We did not incur any prepayment penalties for repaying in advance of the maturity date of June 24, 2017.

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	Amended and Restated Bylaws of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.2 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))
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))
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, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to the Consolidated Financial Statements (unaudited) that have been detail tagged.

* Filed herein

SIGNATURES

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

	Rexford Industrial Realty, Inc.
August 7, 2015	/s/ Michael S. Frankel
	Michael S. Frankel Co-Chief Executive Officer (Principal Executive Officer)
August 7, 2015	/s/ Howard Schwimmer
	Howard Schwimmer Co-Chief Executive Officer (Principal Executive Officer)
August 7, 2015	/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)) 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) 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
   (c) 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 7, 2015

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)) 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) 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
   (c) 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 7, 2015

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)) 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) 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
   (c) 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 7, 2015

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, 2015 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 7, 2015

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, 2015 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 7, 2015

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, 2015 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 7, 2015