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 March 31, 2020
OR

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

For the transition period from ________ to ________
Commission File Number: 001-36008

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

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

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

(310) 966-1680
(Registrant’s telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbols	Name of each exchange on which registered
Common Stock, $0.01 par value	REXR	New York Stock Exchange
5.875% Series A Cumulative Redeemable Preferred Stock	REXR-PA	New York Stock Exchange
5.875% Series B Cumulative Redeemable Preferred Stock	REXR-PB	New York Stock Exchange
5.625% Series C Cumulative Redeemable Preferred Stock	REXR-PC	New York Stock Exchange

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

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

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

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

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

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

The number of shares of common stock outstanding at May 1, 2020 was 116,327,336.

REXFORD INDUSTRIAL REALTY, INC.
QUARTERLY REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2020
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands – except share and per share data)

	March 31, 2020	December 31, 2019
ASSETS		
Land	$ 2,068,460	$ 1,927,098
Buildings and improvements	1,748,675	1,680,178
Tenant improvements	75,341	72,179
Furniture, fixtures and equipment	141	141
Construction in progress	26,791	18,794
Total real estate held for investment	3,919,408	3,698,390
Accumulated depreciation	(316,812)	(296,777)
Investments in real estate, net	3,602,596	3,401,613
Cash and cash equivalents	112,432	78,857
Restricted cash	46	—
Rents and other receivables, net	5,859	5,889
Deferred rent receivable, net	31,339	29,671
Deferred leasing costs, net	19,482	18,688
Deferred loan costs, net	2,770	695
Acquired lease intangible assets, net	76,138	73,090
Acquired indefinite-lived intangible	5,156	5,156
Interest rate swap asset	—	766
Other assets	10,717	9,671
Acquisition related deposits	5,896	14,526
Total Assets	$ 3,872,431	$ 3,638,622
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$ 903,802	$ 857,842
Interest rate swap liability	22,690	8,488
Accounts payable, accrued expenses and other liabilities	39,000	31,112
Dividends payable	25,931	21,624
Acquired lease intangible liabilities, net	63,914	59,340
Tenant security deposits	30,342	28,779
Prepaid rents	8,074	8,988
Total Liabilities	1,093,753	1,016,173
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, $0.01 par value per share, 10,050,000 shares authorized, at March 31, 2020 and December 31, 2019		
5.875% series A cumulative redeemable preferred stock, 3,600,000 shares outstanding at March 31, 2020 and December 31, 2019 ($90,000 liquidation preference)	86,651	86,651
5.875% series B cumulative redeemable preferred stock, 3,000,000 shares outstanding at March 31, 2020 and December 31, 2019 ($75,000 liquidation preference)	72,443	72,443
5.625% series C cumulative redeemable preferred stock, 3,450,000 shares outstanding at March 31, 2020 and December 31, 2019 ($86,250 liquidation preference)	83,233	83,233
Common Stock, $0.01 par value per share, 489,950,000 authorized and 116,331,347 and 113,793,300 shares outstanding at March 31, 2020 and December 31, 2019, respectively	1,162	1,136
Additional paid in capital	2,524,274	2,439,007
Cumulative distributions in excess of earnings	(132,843)	(118,751)
Accumulated other comprehensive loss	(21,950)	(7,542)
Total stockholders' equity	2,612,970	2,556,177
Noncontrolling interests	165,708	66,272
Total Equity	2,778,678	2,622,449
Total Liabilities and Equity	$ 3,872,431	$ 3,638,622

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands – except share and per share data)

	Three Months Ended March 31,	
	2020	**2019**
REVENUES		
Rental income	$ 77,490	$ 59,604
Management, leasing and development services	93	102
Interest income	97	657
TOTAL REVENUES	77,680	60,363
OPERATING EXPENSES		
Property expenses	18,114	13,812
General and administrative	9,317	7,344
Depreciation and amortization	27,523	21,996
TOTAL OPERATING EXPENSES	54,954	43,152
OTHER EXPENSES		
Acquisition expenses	5	23
Interest expense	7,449	6,471
TOTAL EXPENSES	62,408	49,646
NET INCOME	15,272	10,717
Less: net income attributable to noncontrolling interests	(717)	(201)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	14,555	10,516
Less: preferred stock dividends	(3,636)	(2,423)
Less: earnings allocated to participating securities	(131)	(114)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ 10,788	$ 7,979
Net income attributable to common stockholders per share - basic	$ 0.09	$ 0.08
Net income attributable to common stockholders per share - diluted	$ 0.09	$ 0.08
Weighted average shares of common stock outstanding - basic	114,054,434	98,342,677
Weighted average shares of common stock outstanding - diluted	114,314,331	98,607,786

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three Months Ended March 31,	
	2020	**2019**
Net income	$ 15,272	$ 10,717
Other comprehensive loss: cash flow hedge adjustment	(14,968)	(5,127)
Comprehensive income	304	5,590
Comprehensive income attributable to noncontrolling interests	(157)	(75)
Comprehensive income attributable to Rexford Industrial Realty, Inc.	$ 147	$ 5,515

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands – except share data)

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2019	$ 242,327	113,793,300	$ 1,136	$ 2,439,007	$ (118,751)	$ (7,542)	$ 2,556,177	$ 66,272	$ 2,622,449
Issuance of common stock		2,206,957	22	80,792	—	—	80,814	—	80,814
Offering costs	—			(1,383)	—	—	(1,383)	—	(1,383)
Issuance of OP Units	—	—	—	—	—	—	—	63,277	63,277
Issuance of 4.00% cumulative redeemable convertible preferred units	—	—	—	—	—	—	—	40,787	40,787
Share-based compensation		102,275	1	698		—	699	2,928	3,627
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock		(25,797)		(1,207)		—	(1,207)	—	(1,207)
Conversion of OP units to common stock		254,612	3	6,367		—	6,370	(6,370)	—
Net income	3,636				10,919		14,555	717	15,272
Other comprehensive loss						(14,408)	(14,408)	(560)	(14,968)
Preferred stock dividends ($0.367188 per series A and series B preferred share and $0.351563 per series C preferred share)	(3,636)						(3,636)	—	(3,636)
Preferred unit distributions	—	—	—	—	—	—	—	(423)	(423)
Common stock dividends ($0.215 per common share)	—	—	—	—	(25,011)	—	(25,011)	—	(25,011)
Distributions	—	—	—	—	—	—	—	(920)	(920)
Balance at March 31, 2020	$ 242,327	116,331,347	$ 1,162	$ 2,524,274	$ (132,843)	$ (21,950)	$ 2,612,970	$ 165,708	$ 2,778,678

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Unaudited and in thousands – except share data)

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2018	$ 159,094	96,810,504	$ 966	$ 1,798,113	$ (88,341)	$ 6,262	$ 1,876,094	$ 32,329	$ 1,908,423
Cumulative effect of adoption of ASC 842	—	—	—	—	(222)	—	(222)	—	(222)
Issuance of common stock	—	7,148,746	71	248,323	—	—	248,394	—	248,394
Offering costs	—	—	—	(3,974)	—	—	(3,974)	—	(3,974)
Share-based compensation	—	86,919	1	510	—	—	511	2,102	2,613
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(23,090)	—	(791)	—	—	(791)	—	(791)
Conversion of OP units to common stock	—	4,967	—	37	—	—	37	(37)	—
Net income	2,423	—	—	—	8,093	—	10,516	201	10,717
Other comprehensive loss	—	—	—	—	—	(5,001)	(5,001)	(126)	(5,127)
Preferred stock dividends ($0.367188 per series A and series B share)	(2,423)	—	—	—	—	—	(2,423)	—	(2,423)
Common stock dividends ($0.185 per common share)	—	—	—	—	(19,245)	—	(19,245)	—	(19,245)
Distributions	—	—	—	—	—	—	—	(529)	(529)
Balance at March 31, 2019	$ 159,094	104,028,046	$ 1,038	$ 2,042,218	$ (99,715)	$ 1,261	$ 2,103,896	$ 33,940	$ 2,137,836

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

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Three Months Ended March 31,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 15,272	$ 10,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,523	21,996
Amortization of (below) above market lease intangibles, net	(2,402)	(1,751)
Amortization of debt issuance costs	343	344
Amortization of discount on notes payable	(16)	1
Equity based compensation expense	3,570	2,579
Straight-line rent	(1,672)	(2,067)
Change in working capital components:		
Rents and other receivables	300	396
Deferred leasing costs	(1,820)	(1,413)
Other assets	170	533
Accounts payable, accrued expenses and other liabilities	5,437	3,936
Tenant security deposits	988	753
Prepaid rents	(1,200)	160
Net cash provided by operating activities	46,493	36,184
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(46,503)	(145,253)
Capital expenditures	(15,607)	(9,712)
Payments for deposits on real estate acquisitions	(1,028)	(10,475)
Net cash used in investing activities	(63,138)	(165,440)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net	79,431	244,420
Repayment of notes payable	(50)	(38)
Debt issuance costs	(2,225)	—
Dividends paid to preferred stockholders	(3,636)	(2,423)
Dividends paid to common stockholders	(21,052)	(15,490)
Distributions paid to common unitholders	(572)	(448)
Distributions paid to preferred unitholders	(423)	—
Repurchase of common shares to satisfy employee tax withholding requirements	(1,207)	(791)
Net cash provided by financing activities	50,266	225,230
Increase in cash, cash equivalents and restricted cash	33,621	95,974
Cash, cash equivalents and restricted cash, beginning of period	78,857	180,601
Cash, cash equivalents and restricted cash, end of period	$ 112,478	$ 276,575
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of $882 and $629 for the three months ended March 31, 2020 and 2019, respectively)	$ 8,685	$ 6,940
Supplemental disclosure of noncash transactions:		
Operating lease right-of-use assets obtained in exchange for lease liabilities upon adoption of ASC 842 on January 1, 2019	$ —	$ 3,262
Operating lease right-of-use assets obtained in exchange for lease liabilities subsequent to adoption of ASC 842	$ 1,014	$ 3,457
Issuance of operating partnership units in connection with acquisition of real estate	$ 63,277	$ —
Issuance of 4.0% cumulative redeemable convertible preferred units in connection with acquisition of real estate	$ 40,787	$ —
Assumption of debt in connection with acquisition of real estate including loan premium	$ 45,833	$ —
Accrual for capital expenditures	$ 7,239	$ 5,481
Accrual of dividends	$ 25,931	$ 19,774

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

1. Organization

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service real estate investment trust ("REIT") focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013, and Rexford Industrial Realty, L.P. (the "Operating Partnership"), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. As of March 31, 2020, our consolidated portfolio consisted of 223 properties with approximately 27.4 million rentable square feet. In addition, we currently manage 19 properties with approximately 1.0 million rentable square feet.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

As of March 31, 2020 and December 31, 2019, and for the three months ended March 31, 2020 and 2019, the financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Under consolidation guidance, we have determined that our Operating Partnership is a variable interest entity because the holders of limited partnership interests do not have substantive kick-out rights or participating rights. Furthermore, we are the primary beneficiary of the Operating Partnership because we have the obligation to absorb losses and the right to receive benefits from the Operating Partnership and the exclusive power to direct the activities of the Operating Partnership. As of March 31, 2020 and December 31, 2019, the assets and liabilities of the Company and the Operating Partnership are substantially the same, as the Company does not have any significant assets other than its investment in the Operating Partnership.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2019 Annual Report on Form 10-K and the notes thereto.

Any references to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm's review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash is comprised of escrow reserves that we are required to set aside for future costs as required by certain agreements with our lenders, and from time to time includes cash proceeds from property sales that are being held by qualified intermediaries for purposes of facilitating tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"). As of March 31, 2020, the restricted cash balance of $46 thousand was being reserved for real estate taxes related to the property located at 960-970 Knox Street. As of December 31, 2019 we did not have a balance in restricted cash.

Restricted cash balances are included with cash and cash equivalents balances as of the beginning and ending of each period presented in the consolidated statements of cash flows. The following table provides a reconciliation of our cash and cash equivalents and restricted cash at the beginning and end of the three months ended March 31, 2020 and 2020 (in thousands):

	Three Months Ended March 31,	
	2020	2019
Cash and cash equivalents	$ 78,857	$ 180,601
Restricted cash	—	—
Cash, cash equivalents and restricted cash, beginning of period	$ 78,857	$ 180,601
Cash and cash equivalents	$ 112,432	$ 276,575
Restricted cash	46	—
Cash, cash equivalents and restricted cash, end of period	$ 112,478	$ 276,575

Investments in Real Estate

Acquisitions

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

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

We determine the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. This "as-if vacant" value is estimated using an income, or discounted cash flow, approach that relies upon Level 3 inputs, which are unobservable inputs based on the Company's assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. In determining the "as-if-vacant" value for the properties we acquired during the three months ended March 31, 2020, we used discount rates ranging from 5.75% to 6.50% and exit capitalization rates ranging from 4.75% to 5.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the estimated costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. We consider estimated costs such as the value associated with leasing commissions, legal and other costs, as well as the estimated period of time necessary to lease such a property to its occupancy level at the time of its acquisition. In determining the fair value of acquisitions completed during the three months ended March 31, 2020, we used an estimated average lease-up period of six months.

The difference between the fair value and the face value of debt assumed, if any, in connection with an acquisition is recorded as a premium or discount and amortized to “interest expense” over the life of the debt assumed. The valuation of assumed liabilities are based on our estimate of the current market rates for similar liabilities in effect at the acquisition date. In determining the fair value of debt assumed during the three months ended March 31, 2020, we used estimated market interest rates ranging from 3.21% to 3.75%.

Capitalization of Costs

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

We capitalized interest costs of $0.9 million and $0.6 million during the three months ended March 31, 2020 and 2019, respectively. We capitalized real estate taxes and insurance costs aggregating $0.3 million and $0.2 million during the three months ended March 31, 2020 and 2019, respectively. We capitalized compensation costs for employees who provide construction services of $1.0 million and $0.7 million during the three months ended March 31, 2020 and 2019, respectively.

Depreciation and Amortization

Real estate, including land, building and land improvements, tenant improvements, furniture, fixtures and equipment and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value as discussed below in our policy with regard to impairment of long-lived assets. We estimate the depreciable portion of our real estate assets and related useful lives in order to record depreciation expense.

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

As discussed above in—*Investments in Real Estate—Acquisitions*, in connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an acquired lease intangible asset or liability and amortized to “rental income” over the remaining term of the related leases.

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

Assets Held for Sale

We classify a property as held for sale when all of the criteria set forth in the Accounting Standards Codification (“ASC”) Topic 360: Property, Plant and Equipment (“ASC 360”) have been met. The criteria are as follows: (i) management, having the authority to approve the action, commits to a plan to sell the property; (ii) the property is available for immediate sale in its present condition, subject only to terms that are usual and customary; (iii) an active program to locate a buyer and other actions required to complete the plan to sell have been initiated; (iv) the sale of the property is probable and is expected to be completed within one year; (v) the property is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions necessary to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. At the time we classify a property as held for sale, we cease recording depreciation and amortization. A property classified as held for sale is measured and reported at the lower of its carrying amount or its estimated fair value less cost to sell. As of March 31, 2020 and December 31, 2019, we did not have any properties classified as held for sale.

Impairment of Long-Lived Assets

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

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. 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. There were no impairment charges recorded to the carrying value of our properties during the three months ended March 31, 2020 and 2019, respectively.

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 months ended March 31, 2020 and 2019.

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 March 31, 2020 and December 31, 2019, we have not established a liability for uncertain tax positions.

Derivative Instruments and Hedging Activities

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

As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, and whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 7.

Revenue Recognition

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

Rental Income

We lease industrial space to tenants primarily under non-cancelable operating leases that generally contain provisions for minimum base rents plus reimbursement for certain operating expenses. Total minimum annual lease payments are recognized in rental income on a straight-line basis over the term of the related lease, regardless of when payments are contractually due. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space. Lease termination fees, which are included in rental income, are recognized when the related leases are canceled and we have no continuing obligation to provide services to such former tenants.

Our lease agreements with tenants generally contain provisions that require tenants to reimburse us for certain property expenses. Estimated reimbursements from tenants for these property expenses, which include real estate taxes, insurance, 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. As the timing and pattern of revenue recognition is the same, rents and tenant reimbursements are treated as a combined lease component and presented as a single line item “Rental income” in our consolidated statements of operations.

We record revenues and expenses on a gross basis for lessor costs (which include real estate taxes) when these costs are reimbursed to us by our tenants. Conversely, we record revenues and expenses on a net basis for lessor costs when they are paid by our tenants directly to the taxing authorities on our behalf.

Management, leasing and development services

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

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

Gain or Loss on Sale of Real Estate

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

Valuation of Receivables

We may be subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables related to our operating leases. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. On a quarterly basis, we perform an assessment of the collectability of operating lease receivables on a tenant-by-tenant basis, which includes reviewing the age and nature of our receivables, the payment history and financial condition of the tenant, our assessment of the tenant's ability to meet its lease obligations and the status of negotiations of any disputes with the tenant. Any changes in the collectability assessment for an operating lease is recognized as an adjustment, which can be a reduction or increase, to rental income in the consolidated statements of operations. As a result of our quarterly collectability assessments, we recognized $0.4 million and $0.1 million, for the three months ended March 31, 2020 and 2019, respectively, as a reduction of rental income in the consolidated statements of operations.

Deferred Leasing Costs

We capitalize the incremental direct costs of originating a lease that would not have been incurred had the lease not been executed. As a result, deferred leasing costs will generally only include third-party broker commissions.

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are 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. For line of credit arrangements, we present debt issuance costs as an asset and amortize the cost over the term of the line of credit arrangement. See Note 5.

Equity Based Compensation

We account for equity-based compensation in accordance with ASC Topic 718: Compensation - Stock Compensation. Total compensation cost for all share-based awards is based on the estimated fair market value on the grant date. For share-based awards that vest based solely on a service condition, we recognize compensation cost on a straight-line basis over the total requisite service period for the entire award. For share-based awards that vest based on a market condition, we recognize compensation cost on a straight-line basis over the requisite service period of each separately vesting tranche. For share-based awards that vest based on a performance condition, we recognize compensation cost based on the number of awards that are expected to vest based on the probable outcome of the performance condition. Compensation cost for these awards will be adjusted to reflect the number of awards that ultimately vest. Forfeitures are recognized in the period in which they occur. See Note 11.

Equity Offering Costs

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

Earnings Per Share

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

Basic EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities. We include unvested shares of restricted stock and unvested LTIP units in the computation of diluted EPS by using the more dilutive of the two-class method or treasury stock method. We include unvested performance units as contingently issuable shares in the computation of diluted EPS once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted EPS calculation. See Note 12.

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.

ASC 842 - Cumulative-Effect Adjustment to Retained Earning

On January 1, 2019, we adopted the new lease accounting standard, ASU 2016-02, Leases (Topic 842), and the various lease-related ASUs that were subsequently issued by the Financial Accounting Standards Board ("FASB") (collectively referred to as "ASC 842"), which together set out the principals for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.

We adopted ASC 842 using the modified retrospective approach and applied the provisions as of the date of adoption on a prospective basis. Upon adoption of ASC 842, we recognized a cumulative-effect adjustment to retained earnings of $0.2 million to write off internal compensation costs that were capitalized in connection with leases that were executed but had not commenced prior to January 1, 2019, as these costs were capitalized in accordance with prior lease accounting guidance and did not qualify for capitalization under ASC 842.

Leases as a Lessee

We determine if an arrangement is a lease at inception. Operating lease right-of-use assets ("ROU assets") are included in "Other assets" and lease liabilities are included in "Accounts payable, accrued expenses and other liabilities" in our consolidated balance sheets. ROU assets represent our right to use, or control the use of, a specified asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Because our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Additionally, for our operating leases, we do not separate non-lease components, such as common area maintenance, from associated lease components. See Note 6.

Adoption of New Accounting Pronouncements

Allowance for Credit Losses

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which amends the accounting for credit losses for certain financial instruments. ASU 2016-13 introduced the "current expected credit losses" (CECL) model, which requires companies to estimate credit losses immediately upon exposure. The guidance applies to financial assets measured at amortized cost including net investments in leases arising from sales-type and direct financing leases, financing receivables (loans) and trade receivables. On November 26, 2018, the FASB issued ASU 2018-19, *C*odification Improvements to Topic 326, Financial Instrument - Credit Losses, which clarifies that operating lease receivables are outside the scope of ASC Topic 326 and instead should be accounted for under ASC 842. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. Effective January 1, 2020 we adopted ASU 2016-13. As we did not have any financial assets within the scope of ASU 2016-13, there was no impact to our consolidated financial statements. In the event that any of our leases were to be classified as sales-type or direct finance leases, or if we were to acquire or provide mortgage debt secured by industrial properties in the future, we would become subject to the provisions of ASU 2016-13.

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. Other than the ASUs discussed below, the FASB has not recently issued any other ASUs that we expect to be applicable and have a material impact on our consolidated financial statements.

Reference Rate Reform

On March 12, 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the first quarter of 2020, we elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

3. Investments in Real Estate

Acquisitions

On March 5, 2020, we acquired from a group of sellers that were not affiliated with the Company ten industrial properties located in Southern California (the "Properties") for an aggregate purchase price of $203.2 million, exclusive of closing costs, including assumed debt of approximately $44.7 million. In consideration for the Properties we (i) paid $56.2 million in cash, including a $9.7 million deposit paid in 2019, (ii) issued 1,406,170 common units of limited partnership interests in the Operating Partnership and (iii) issued 906,374 4.00% Cumulative Redeemable Convertible Preferred Units of partnership interest in the Operating Partnership (the "Series 2 CPOP Units"). See Note 5 and Note 11 for further details regarding the assumption of debt and Series 2 CPOP Units, respectively.

The following table summarizes the wholly-owned industrial properties we acquired during the three months ended March 31, 2020:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price[1] (in thousands)
701-751 Kingshill Place	Los Angeles - South Bay	3/5/2020	169,069	6	$ 32,968
2601-2641 Manhattan Beach Boulevard	Los Angeles - South Bay	3/5/2020	126,726	6	38,230
2410-2420 Santa Fe Avenue	Los Angeles - South Bay	3/5/2020	112,000	1	34,700
11600 Los Nietos Road	Los Angeles - Mid-Counties	3/5/2020	103,982	1	16,608
5160 Richton Street	San Bernardino - Inland Empire West	3/5/2020	94,976	1	15,605
2205 126th Street	Los Angeles - South Bay	3/5/2020	63,532	1	17,100
11832-11954 La Cienega Boulevard	Los Angeles - South Bay	3/5/2020	63,462	4	19,150
7612-7642 Woodwind Drive	Orange County - West	3/5/2020	62,377	3	13,719
960-970 Knox Street	Los Angeles - South Bay	3/5/2020	39,400	1	9,600
25781 Atlantic Ocean Drive	Orange County - South	3/5/2020	27,960	1	5,475
Total 2020 Wholly-Owned Property Acquisitions			863,484	25	$ 203,155

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

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

		2020 Acquisitions
Assets:		
Land	$	141,363
Buildings and improvements		61,853
Tenant improvements		1,529
Acquired lease intangible assets[(1)]		9,196
Other acquired assets[(2)]		281
Total assets acquired		214,222
Liabilities:		
Acquired lease intangible liabilities[(3)]		7,303
Notes payable[(4)]		45,833
Other assumed liabilities[(2)]		861
Total liabilities assumed		53,997
Net assets acquired	$	160,225

(1) Acquired lease intangible assets is comprised of $9.1 million of in-place lease intangibles with a weighted average amortization period of 4.6 years and $0.1 million of above-market lease intangibles with a weighted average amortization period of 4.7 years.

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

(3) Represents below-market lease intangibles with a weighted average amortization period of 5.9 years.

(4) In connection with acquisition of the Properties, we assumed nine mortgage loans from the sellers. At the date of acquisition, the loans had an aggregate fair value of $45.8 million and an aggregate principal balance of $44.7 million.

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 which includes below-market tenant leases (in thousands):

		March 31, 2020		December 31, 2019
Acquired Lease Intangible Assets:				
In-place lease intangibles	$	163,381	$	154,370
Accumulated amortization		(93,653)		(87,955)
In-place lease intangibles, net	$	69,728	$	66,415
Above-market tenant leases	$	14,358	$	14,296
Accumulated amortization		(7,948)		(7,621)
Above-market tenant leases, net	$	6,410	$	6,675
Acquired lease intangible assets, net	$	76,138	$	73,090
Acquired Lease Intangible Liabilities:				
Below-market tenant leases	$	(89,000)	$	(81,718)
Accumulated accretion		25,086		22,378
Below-market tenant leases, net	$	(63,914)	$	(59,340)
Acquired lease intangible liabilities, net	$	(63,914)	$	(59,340)

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,	
	2020	2019
In-place lease intangibles(1)	$ 5,822	$ 4,339
Net below-market tenant leases(2)	$ (2,402)	$ (1,751)

(1) The amortization of in-place lease intangibles is recorded to depreciation and amortization expense in the consolidated statements of operations for the periods presented.

(2) The amortization of net below-market tenant leases is recorded as an increase to rental income in the consolidated statements of operations for the periods presented.

5. Notes Payable

The following table summarizes the components and significant terms of our indebtedness as of March 31, 2020 and December 31, 2019 (dollars in thousands):

	March 31, 2020	December 31, 2019	Margin Above LIBOR	Interest Rate(1)	Contractual Maturity Date
Unsecured and Secured Debt					
Unsecured Debt:					
Revolving Credit Facility	$ —	$ —	1.050% (2)	2.043% (3)	2/13/2024 (4)
$100M Term Loan Facility	100,000	100,000	1.200% (2)	2.964% (5)	2/14/2022
$225M Term Loan Facility	225,000	225,000	1.200% (2)	2.574% (5)	1/14/2023
$150M Term Loan Facility	150,000	150,000	1.500% (2)	4.263% (5)	5/22/2025
$100M Notes	100,000	100,000	n/a	4.290%	8/6/2025
$125M Notes	125,000	125,000	n/a	3.930%	7/13/2027
$25M Series 2019A Notes	25,000	25,000	n/a	3.880%	7/16/2029
$75M Series 2019B Notes	75,000	75,000	n/a	4.030%	7/16/2034
Total Unsecured Debt	$ 800,000	$ 800,000			
Secured Debt:					
$60M Term Loan(6)	$ 58,499	$ 58,499	1.700%	2.693%	8/1/2023 (6)
Gilbert/La Palma(7)	2,419	2,459	n/a	5.125%	3/1/2031
701-751 Kingshill Place(8)	7,100	—	n/a	3.900%	1/5/2026
2601-2641 Manhattan Beach Boulevard(7)	4,147	—	n/a	4.080%	4/5/2023
2410-2420 Santa Fe Avenue(7)	10,300	—	n/a	3.700%	1/1/2028
11600 Los Nietos Road(7)	2,899	—	n/a	4.190%	5/1/2024
5160 Richton Street(7)	4,471	—	n/a	3.790%	11/15/2024
2205 126th Street(9)	5,200	—	n/a	3.910%	12/1/2027
11832-11954 La Cienega Boulevard(8)	4,100	—	n/a	4.260%	7/1/2028
7612-7642 Woodwind Drive(7)	3,959	—	n/a	5.240%	1/5/2024
960-970 Knox Street(7)(10)	2,551	—	n/a	5.000%	11/1/2023
Total Secured Debt	$ 105,645	$ 60,958			
Total Unsecured and Secured Debt	$ 905,645	$ 860,958			
Less: Unamortized premium/discount and debt issuance costs(11)	(1,843)	(3,116)			
Total	$ 903,802	$ 857,842			

(1) Reflects the contractual interest rate under the terms of each loan as of March 31, 2020 and includes the effect of interest rate swaps that were effective as of March 31, 2020. See footnote (5) below. Excludes the effect of unamortized debt issuance costs and unamortized fair market value premiums and discounts.

(2) The interest rates on these loans are comprised of LIBOR plus a LIBOR margin. The LIBOR margins will range from 1.05% to 1.50% per annum for the unsecured revolving credit facility, 1.20% to 1.70% per annum for the $100.0 million term loan facility, 1.20% to 1.70% per annum for the $225.0 million term loan facility and 1.50% to 2.20% per annum for the $150 million term loan facility, depending on our leverage ratio, which is the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value, which is measured on a quarterly basis.

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

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

(5) As of March 31, 2020, interest on the $100.0 million term loan facility, $225.0 million term loan facility and $150 million term loan facility have been effectively fixed through the use of interest rate swaps. See Note 7 for details.

(6) Loan is secured by six properties. One 24-month extension is available at the borrower's option, subject to certain terms and conditions. Monthly payments of interest only through June 2021, followed by equal monthly payments of principal ($65,250), plus accrued interest until maturity.

(7) Fixed monthly payments of interest and principal until maturity as follows: Gilbert/La Palma ($24,008), 2601-2641 Manhattan Beach Boulevard ($23,138), 2410-2420 Santa Fe Avenue ($31,758), 11600 Los Nietos ($22,637), 5160 Richton Street ($23,270), 7612-7642 Woodwind Drive ($24,270) and 960-970 Knox Street ($17,538).

(8) For 701-751 Kingshill Place, fixed monthly payments of interest only through January 2023, followed by fixed monthly payments of interest and principal ($33,488) until maturity. For 11832-11954 La Cienega Boulevard, fixed monthly payments of interest only through July 2020, followed by fixed monthly payments of interest and principal ($20,194) until maturity.

(9) Fixed monthly payments of interest only.

(10) Loan also requires monthly escrow reserve payments for real estate taxes related to the property located at 960-970 Knox Street.

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

Contractual Debt Maturities

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts and debt issuance costs, as of March 31, 2020, and does not consider extension options available to us as noted in the table above (in thousands):

April 1, 2020 - December 31, 2020	$	560
2021		1,200
2022		101,630
2023		289,245
2024		10,348
Thereafter		502,662
Total	$	905,645

Assumption of Mortgage Loans

On March 5, 2020, in connection with the acquisition of the Properties, we assumed nine mortgage loans secured by nine of the Properties we acquired. At the date of acquisition, the assumed loans had an aggregate principal balance of $44.7 million and an aggregate fair value of $45.8 million resulting in an aggregate initial net debt premium of $1.1 million. The mortgage loans bear interest at fixed interest rates ranging from 3.70% to 5.24% and have maturities ranging from 3.0 years to 8.3 years from the date assumed.

Third Amended and Restated Credit Facility

On February 13, 2020, we amended our $450 million credit agreement, that was scheduled to mature on February 14, 2021, by entering into a Third Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a $600.0 million senior unsecured credit facility, comprised of a $500.0 million unsecured revolving credit facility (the "Amended Revolver") and a $100.0 million unsecured term loan facility (the "Amended Term Loan Facility"). The Amended Revolver is scheduled to mature on February 13, 2024, and has two six-month extension options available, and the Amended Term Loan Facility is scheduled to mature on February 14, 2022. Subject to certain terms and conditions set forth in the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate $900.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended Term Loan Facility, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.05% to 1.50% per annum for LIBOR-based loans and 0.05% to 0.50% per annum for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended Term Loan Facility range in amount from 1.20% to 1.70% per annum for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of S&P or Moody's to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.725% to 1.40% for LIBOR-based loans and 0.00% to 0.45% for Base Rate-based loans, depending on such rating. The margins for the Amended Term Loan Facility will range in amount from 0.85% to 1.65% per annum for LIBOR-based loans and 0.00% to 0.65% per annum for Base Rate-based loans, depending on such rating.

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

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

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

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

On March 31, 2020, we did not have any borrowings outstanding under the Amended Revolver, leaving $500.0 million available for future borrowings.

Debt Covenants

The Amended Credit Agreement, our $225 million unsecured term loan facility (the "$225 Million Term Loan Facility"), our $150 million unsecured term loan facility (the "$150 Million Term Loan Facility"), our $100 million unsecured guaranteed senior notes (the "$100 Million Notes"), our $125 million unsecured guaranteed senior notes (the "$125 Million Notes") and our $25 million unsecured guaranteed senior notes and $75 million unsecured guaranteed senior notes (together the "Series 2019A and 2019B Notes") all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

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

- For the Amended Credit Agreement, $225 Million Term Loan Facility and $150 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the $100 Million Notes, $125 Million Notes and Series 2019A and 2019B Notes (together the “Senior Notes”), maintaining a ratio of secured debt to total asset value of not more than 40%;
- For the Senior Notes, maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- For the Amended Credit Agreement, $225 Million Term Loan Facility and $150 Million Term Loan Facility, maintaining a minimum tangible net worth of at least the sum of (i) $2,061,865,500, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2019;
- For the Senior Notes, maintaining a minimum tangible net worth of at least the sum of (i) $760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.5 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%; and
- Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.00.

The Amended Credit Agreement, $225 Million Term Loan Facility, $150 Million Term Loan Facility and Senior Notes also provide that our distributions may not exceed the greater of (i) 95.0% of our funds from operations or (ii) the amount required for us to qualify and maintain our status as a REIT and avoid the payment of federal or state income or excise tax in any 12-month period.

Additionally, subject to the terms of the Senior Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Senior Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Senior Notes agreement, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Senior Notes will become due and payable at the option of the purchasers. In addition, we are required to maintain at all times a credit rating on the Senior Notes from either S&P, Moody’s or Fitch. In November 2019, Fitch affirmed the BBB investment grade rating of the Senior Notes with a stable outlook.

Our $60 million term loan contains a financial covenant that is tested on a quarterly basis, which requires us to maintain a minimum Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.0.

We were in compliance with all of our required quarterly debt covenants as of March 31, 2020.

6. Operating Leases

Lessor

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

We recognized $75.1 million of rental income related to operating lease payments of which $62.9 million are for fixed lease payments and $12.2 million are for variable lease payments for the three months ended March 31, 2020, respectively. For the comparable three month-period ended March 31, 2019, we recognized $57.9 million of rental income related to operating lease payments of which $48.5 million was for fixed lease payments and $9.3 million was for variable lease payments.

The following table sets forth the undiscounted cash flows for future minimum base rents to be received under operating leases as of March 31, 2020 (in thousands):

Twelve Months Ended March 31,		
2021	$	247,146
2022		212,374
2023		172,010
2024		132,910
2025		93,438
Thereafter		298,695
Total	$	1,156,573

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

Lessee

We lease office space as part of conducting our day-to-day business. As of March 31, 2020, our office space leases have remaining lease terms ranging from approximately 1 month to 5 years and some include options to renew. These renewal terms can extend the lease term from 3 to 5 years and are included in the lease term when it is reasonably certain that we will exercise the option.

As of March 31, 2020, total ROU assets and lease liabilities were approximately $4.3 million and $5.0 million, respectively. As of December 31, 2019, total ROU assets and lease liabilities were approximately $3.5 million and $3.8 million, respectively. All operating lease expense is recognized on a straight-line basis over the lease term.

The tables below present financial information associated with our leases for the three months ended March 31, 2020 and 2019, and as of March 31, 2020 and December 31, 2019.

	Three Months Ended March 31,			
Lease Cost (in thousands)	**2020**		**2019**	
Operating lease cost(1)	$	305	$	260
Variable lease cost(1)		12		13
Sublease income(2)		—		(79)
Total lease cost	$	317	$	194

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

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

	Three Months Ended March 31,			
Other Information (in thousands)	**2020**		**2019**	
Cash paid for amounts included in the measurement of operating lease liabilities	$	180	$	239
Right-of-use assets obtained in exchange for new operating lease liabilities(1)	$	1,014	$	6,720

(1) For the three months ended March 31, 2019, the reported amount includes $3.3 million for operating leases existing on January 1, 2019, the date we adopted ASC 842.

Lease Term and Discount Rate	**March 31, 2020**	**December 31, 2019**
Weighted-average remaining lease term	4.6 years	4.7 years
Weighted-average discount rate(1)	3.68%	3.92%

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

each of our lease agreements.

Maturities of lease liabilities as of March 31, 2020 were as follows (in thousands):

April 1, 2020 - December 31, 2020	$	872
2021		1,091
2022		1,093
2023		1,131
2024		1,161
Thereafter		97
Total undiscounted lease payments	$	5,445
Less imputed interest		(468)
Total lease liabilities	$	4,977

We have one operating lease for office space of $1.9 million which has not commenced as March 31, 2020, and as such, has not been recognized on our consolidated balance sheets. This operating lease is expected to commence in 2020 and has a 5-year lease term.

7. Interest Rate Swaps

Risk Management Objective of Using Derivatives

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

Derivative Instruments

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

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

The following table sets forth a summary of our interest rate swaps at March 31, 2020 and December 31, 2019 (dollars in thousands):

				Current Notional Value(1)		Fair Value of Interest Rate Derivative Assets /(Derivative Liabilities)(2)	
Derivative Instrument	**Effective Date**	**Maturity Date**	**LIBOR Interest Strike Rate**	**March 31, 2020**	**December 31, 2019**	**March 31, 2020**	**December 31, 2019**
Interest Rate Swap	2/14/2018	1/14/2022	1.3490%	$ 125,000	$ 125,000	$ (2,380)	$ 489
Interest Rate Swap	8/14/2018	1/14/2022	1.4060%	$ 100,000	$ 100,000	$ (2,006)	$ 277
Interest Rate Swap	12/14/2018	8/14/2021	1.7640%	$ 100,000	$ 100,000	$ (2,024)	$ (332)
Interest Rate Swap	7/22/2019	11/22/2024	2.7625%	$ 150,000	$ 150,000	$ (16,280)	$ (8,156)

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

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

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

	Three Months Ended March 31,	
	2020	**2019**
Interest Rate Swaps in Cash Flow Hedging Relationships:		
Amount of loss recognized in AOCI on derivatives	$ (15,398)	$ (4,275)
Amount of (loss) gain reclassified from AOCI into earnings under “Interest expense”	$ (430)	$ 852
Total interest expense presented in the Consolidated Statement of Operations in which the effects of cash flow hedges are recorded (line item “Interest expense”)	$ 7,449	$ 6,471

During the next twelve months, we estimate that an additional $7.5 million will be reclassified from AOCI into earnings as an increase to interest expense.

Credit-risk-related Contingent Features

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

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

8. Fair Value Measurements

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

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

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Recurring Measurements – Interest Rate Swaps

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

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

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, as of March 31, 2020, 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 March 31, 2020 and December 31, 2019, which we measure on a recurring basis by level within the fair value hierarchy (in thousands).

	Fair Value Measurement Using			
	Total Fair Value	**Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
March 31, 2020				
Interest Rate Swap Asset	$ —	$ —	$ —	$ —
Interest Rate Swap Liability	$ (22,690)	$ —	$ (22,690)	$ —
December 31, 2019				
Interest Rate Swap Asset	$ 766	$ —	$ 766	$ —
Interest Rate Swap Liability	$ (8,488)	$ —	$ (8,488)	$ —

Financial Instruments Disclosed at Fair Value

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

The fair value of our notes payable was estimated by calculating the present value of principal and interest payments, using discount rates that best reflect current market rates for financings with similar characteristics and credit quality, and assuming each loan is outstanding through its respective contractual maturity date.

The table below sets forth the carrying value and the estimated fair value of our notes payable as of March 31, 2020 and December 31, 2019 (in thousands):

	Fair Value Measurement Using				
Liabilities	**Total Fair Value**	**Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Carrying Value**
Notes Payable at:					
March 31, 2020	$ 936,817	$ —	$ —	$ 936,817	$ 903,802
December 31, 2019	$ 882,813	$ —	$ —	$ 882,813	$ 857,842

9. Related Party Transactions

Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management fees and leasing commissions from entities controlled individually by Mr. Schwimmer. Fees and commissions earned from these entities are included in “Management, leasing and development services” in the consolidated statements of operations. We recorded $0.1 million and $0.1 million for the three months ended March 31, 2020 and 2019, respectively, in management, leasing and development services revenue.

10. Commitments and Contingencies

Legal

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

Environmental

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

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

To address the estimated costs associated with the environmental issues at the West 228th Street property, we entered into an Environmental Holdback Escrow Agreement (the “Holdback Agreement”) with the former owner, whereby $1.4 million was placed into an escrow account to be used to pay remediation costs. To fund the $1.4 million, the escrow holder withheld

$1.3 million of the purchase price, which would have otherwise been paid to the seller at closing, and the Company funded an additional $0.1 million. According to the Holdback Agreement, the seller has no liability or responsibility to pay for remediation costs in excess of $1.3 million.

As of March 31, 2020 and December 31, 2019, we had a $0.6 million and $0.6 million contingent liability recorded in our consolidated balance sheets included in the line item "Accounts payable and accrued expenses," reflecting the estimated remaining cost to remediate environmental liabilities at West 228th Street that existed prior to the acquisition date. As of March 31, 2020 and December 31, 2019, we also had a $0.6 million and $0.6 million corresponding indemnification asset recorded in our consolidated balance sheets included in the line item "Other assets," reflecting the estimated costs we expect the former owner to cover pursuant to the Holdback Agreement.

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

Tenant and Construction Related Commitments

As of March 31, 2020, we had commitments of approximately $38.9 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 March 31, 2020, 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.

Concentration of Properties in Southern California

As of March 31, 2020, 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 and other conditions, including the impact of the outbreak of the novel coronavirus ("COVID-19"), which was declared a pandemic in March 2020 by the World Health Organization, and related state and local government reactions.

All of our properties are concentrated in Southern California, and the state of California and certain cities, including where we own properties, have reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue as well as moratoriums on commercial tenant evictions and provisions enabling commercial tenants to defer rent. We cannot predict when restrictions currently in place will expire. Additionally, in March 2020, the Governor of California issued Executive Order N-28-20, authorizing local municipalities to impose limitations on commercial evictions for nonpayment of rent for tenants impacted by COVID-19. In response to this Executive Order, most municipalities in Southern California have, in turn, mandated a moratorium on all commercial evictions and have given tenants impacted by COVID-19 the unilateral right to defer rent while the emergency "shelter in place" orders are in effect, with repayment generally within three to six months after the end of the local emergency "shelter in place" or similar order.

While we did not incur significant disruptions from the COVID-19 pandemic during the three months ended March 31, 2020, we are currently unable to predict the impact that the COVID-19 pandemic will have on our tenants, including the number of tenants that will take advantage of the relief provided by the local government mandates authorizing the deferral of rent, and as a result, the impact on our business and results of operations.

Tenant Concentration

During the three months ended March 31, 2020, no single tenant accounted for more than 5% of our total consolidated rental income.

11. Equity

Common Stock

On June 13, 2019, we established an at-the-market equity offering program (the "$550 Million ATM Program") pursuant to which we may sell from time to time up to an aggregate of $550.0 million of our common stock through sales agents.

During the three months ended March 31, 2020, we sold a total of 2,206,957 shares of our common stock under the $550 Million ATM Program at a weighted average price of $36.62 per share, for gross proceeds of $80.8 million, and net proceeds of $79.6 million, after deducting the sales agents' fee.

As of March 31, 2020, we had the capacity to issue up to an additional $269.9 million of common stock under the $550 Million ATM Program. Actual sales going forward, if any, will depend on a variety of factors, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Noncontrolling Interests

Noncontrolling interests relate to interests in the Operating Partnership, represented by OP Units, fully-vested LTIP units, fully-vested performance units, 4.43937% cumulative redeemable convertible preferred units of partnership interest in the Operating Partnership (the "Series 1 CPOP Units") and Series 2 CPOP Units, as more fully described below, that are not owned by us.

Operating Partnership Units

As of March 31, 2020, noncontrolling interests included 3,053,396 OP Units and 863,888 fully-vested LTIP units and performance units and represented approximately 3.3% of our Operating Partnership. OP Units and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss and distributions of our Operating Partnership. Investors who own OP Units have the right to cause our Operating Partnership to redeem any or all of their units in our Operating Partnership for an amount of cash per unit equal to the then current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

During the three months ended March 31, 2020, 254,612 OP Units were converted into an equivalent number of shares of common stock, resulting in the reclassification of $6.4 million of noncontrolling interest to Rexford Industrial Realty, Inc.'s stockholders' equity.

Issuance of OP Units and Series 2 CPOP Units in Connection with the Acquisition of the Properties

As previously described in Note 3, on March 5, 2020 we acquired from a group of sellers (the "Sellers") that were not affiliated with the Company ten Properties for an aggregate purchase price of $203.2 million. As partial consideration for the Properties, we issued the Sellers 1,406,170 OP Units, valued at $63.3 million, and 906,374 newly issued 4.00% Cumulative Redeemable Convertible Preferred Units of partnership interest in the Operating Partnership (the "Series 2 CPOP Units"), valued at $40.8 million. The value of the OP Units and Series 2 CPOP Units was based upon a common stock price of $45.00.

Holders of Series 2 CPOP Units, when and as authorized by the Company as general partner of the Operating Partnership, are entitled to cumulative cash distributions at the rate of 4.00% per annum of the $45.00 per unit liquidation preference, payable quarterly in arrears on or about the last day of March, June, September and December of each year, beginning on March 31, 2020. The holders of Series 2 CPOP Units are entitled to receive the liquidation preference, which is $45.00 per unit and approximately $40.8 million in the aggregate for all of the Series 2 CPOP Units, before the holders of OP Units are entitled to receive distributions in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Operating Partnership.

The Series 2 CPOP Units are convertible (i) at the option of the holder anytime from time to time (the "Holder Conversion Right"), or (ii) at the option of the Operating Partnership, at any time on or after March 5, 2025, (the "Company Conversion Right"), in each case, into 0.7722 OP Units per Series 2 CPOP Unit, subject to adjustment to eliminate fractional units or to the extent that there are any accrued and unpaid distributions on the Series 2 CPOP Units. As noted above, investors who own OP Units have the right to cause our Operating Partnership to redeem any or all of their units in our Operating

Partnership for an amount of cash per unit equal to the then current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis (the "Subsequent Redemption Right").

The Series 2 CPOP Units rank senior to the Operating Partnership's OP Units, on parity with the Operating Partnership's 5.875% series A and series B cumulative redeemable preferred units and 5.625% series C cumulative redeemable preferred units, the Series 1 CPOP Units, and with any future class or series of partnership interest of the Operating Partnership expressly designated as ranking on parity with the Series 2 CPOP Units, and junior to any other class or series of partnership interest of the Operating Partnership expressly designated as ranking senior to the Series 2 CPOP Units.

Pursuant to relevant accounting guidance, we analyzed the Series 2 CPOP Units for any embedded derivatives that should be bifurcated and accounted for separately and also considered the conditions that would require classification of the Series 2 CPOP Units in temporary equity versus permanent equity. In carrying out our analyses, we evaluated the key features of the Series 2 CPOP Units including the right to discretionary distributions, the Holder Conversion Right, the Company Conversion Right and the Subsequent Redemption Right to determine whether we control the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement if the Series 2 CPOP Units are converted into shares of our common stock (subsequent to conversion into OP Units). Based on the results of our analyses, we concluded that (i) none of the embedded features of the Series 2 CPOP Units require bifurcation and separate accounting, and (ii) the Series 2 CPOP Units met the criteria to be classified within equity, and accordingly are presented as noncontrolling interests within permanent equity in the consolidated balance sheets.

Amended and Restated 2013 Incentive Award Plan

On June 11, 2018, our stockholders approved the Amended and Restated Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the "Plan"), superseding and replacing the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the "Prior Plan"). Pursuant to the Plan, we may continue to make grants of stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, LTIP units of partnership interest in our Operating Partnership ("LTIP Units"), performance units in our Operating Partnership ("Performance Units"), and other stock based and cash awards to our non-employee directors, employees and consultants.

The aggregate number of shares of our common stock, LTIP Units and Performance Units that may be issued or transferred pursuant to the Plan is 1,770,000, plus any shares that have not been issued under the Prior Plan, including shares subject to outstanding awards under the Prior Plan that are not issued or delivered to a participant for any reason or that are forfeited by a participant prior to vesting. As of March 31, 2020, a total of 1,129,009 shares of common stock, LTIP Units and Performance Units remain available for issuance. Shares and units granted under the Plan may be authorized but unissued shares or units, or, if authorized by the board of directors, shares purchased in the open market. If an award under the Plan is forfeited, expires, or is settled for cash, any shares or units subject to such award will generally be available for future awards.

LTIP Units and Performance Units

LTIP Units and Performance Units are each a class of limited partnership units in the Operating Partnership. Initially, LTIP Units and Performance Units do not have full parity with OP Units with respect to liquidating distributions. However, upon the occurrence of certain events described in the Operating Partnership's partnership agreement, the LTIP Units and Performance Units can over time achieve full parity with the OP Units for all purposes. If such parity is reached, vested LTIP Units and vested Performance Units may be converted into an equal number of OP Units, and, upon conversion, enjoy all rights of OP Units. LTIP Units, whether vested or not, receive the same quarterly per-unit distributions as OP Units, which equal the per-share distributions on shares of our common stock. Performance Units that have not vested receive a quarterly per-unit distribution equal to 10% of the distributions paid on OP Units.

Share-Based Award Activity

The following table sets forth our share-based award activity for the three months ended March 31, 2020:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units
Balance at January 1, 2020	212,545	298,412	687,761
Granted	104,101	36,292	—
Forfeited	(1,826)	—	—
Vested(1)	(70,565)	(41,953)	—
Balance at March 31, 2020	244,255	292,751	687,761

(1) During the three months ended March 31, 2020, 25,797 shares of the Company's common stock were tendered in accordance with the terms of the Plan to satisfy minimum statutory tax withholding requirements associated with the vesting of restricted shares of common stock.

The following table sets forth the vesting schedule of all unvested share-based awards outstanding as of March 31, 2020:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units(1)
April 1, 2020 - December 31, 2020	17,429	154,422	188,250
2021	84,319	90,031	204,517
2022	68,176	45,740	294,994
2023	48,279	2,558	—
2024	26,052	—	—
Total	244,255	292,751	687,761

(1)Represents the maximum number of Performance Units that would become earned and vested on December 14, 2020, in the event that the specified maximum total shareholder return ("TSR") hurdles are achieved over the three-year performance period from December 15, 2017 through December 14, 2020, and the maximum number of Performance Units that would become earned and vested on December 31, 2021 and December 31, 2022, in the event that the specified maximum TSR and FFO per share growth hurdles are achieved over the three-year performance period from January 1, 2019 through December 31, 2021 and the three-year performance period from January 1, 2020 through December 31, 2022.

Compensation Expense

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

	Three Months Ended March 31,	
	2020	2019
Expensed share-based compensation(1)	$ 3,570	$ 2,579
Capitalized share-based compensation(2)	57	34
Total share-based compensation	$ 3,627	$ 2,613

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

(2) For the three months ended March 31, 2020 and 2019, amounts capitalized relate to employees who provide construction services, and are included in "Building and improvements" in the consolidated balance sheets.

As of March 31, 2020, total unrecognized compensation cost related to all unvested share-based awards was $23.1 million and is expected to be recognized over a weighted average remaining period of 30 months.

Changes in Accumulated Other Comprehensive Income

The following table summarizes the changes in our AOCI balance for the three months ended March 31, 2020 and 2019, which consists solely of adjustments related to our cash flow hedges (in thousands):

	Three Months Ended March 31,	
	2020	**2019**
Accumulated other comprehensive (loss) income - beginning balance	$ (7,542)	$ 6,262
Other comprehensive loss before reclassifications	(15,398)	(4,275)
Amounts reclassified from accumulated other comprehensive loss (income) to interest expense	430	(852)
Net current period other comprehensive loss	(14,968)	(5,127)
Less other comprehensive loss attributable to noncontrolling interests	560	126
Other comprehensive loss attributable to common stockholders	(14,408)	(5,001)
Accumulated other comprehensive (loss) income - ending balance	$ (21,950)	$ 1,261

12. Earnings Per Share

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

	Three Months Ended March 31,	
	2020	**2019**
Numerator:		
Net income	$ 15,272	$ 10,717
Less: Preferred stock dividends	(3,636)	(2,423)
Less: Net income attributable to noncontrolling interests	(717)	(201)
Less: Net income attributable to participating securities	(131)	(114)
Net income attributable to common stockholders	$ 10,788	$ 7,979
Denominator:		
Weighted average shares of common stock outstanding – basic	114,054,434	98,342,677
Effect of dilutive securities - performance units	259,897	265,109
Weighted average shares of common stock outstanding – diluted	114,314,331	98,607,786
Earnings per share — Basic		
Net income attributable to common stockholders	$ 0.09	$ 0.08
Earnings per share — Diluted		
Net income attributable to common stockholders	$ 0.09	$ 0.08

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

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

Performance Units, which are subject to vesting based on the Company achieving certain TSR levels over a three-year performance period, are included as contingently issuable shares in the calculation of diluted EPS when TSR has been achieved at or above the threshold levels specified in the award agreements, assuming the reporting period is the end of the performance period, and the effect is dilutive.

We also consider the effect of other potentially dilutive securities, including the Series 1 CPOP Units, Series 2 CPOP Units and OP Units, which may be redeemed for shares of our common stock under certain circumstances, and include them in our computation of diluted EPS when their inclusion is dilutive.

13. Subsequent Events

COVID-19

Subsequent to March 31, 2020, the global economy has continued to be severely impacted by the COVID-19 pandemic and we are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it will impact our tenants in the near and long term. While we did not incur significant disruptions from the COVID-19 pandemic during the three months ended March 31, 2020, we believe this situation may have an impact on our business and results of operations in the second quarter and in later periods of 2020 that may be material, but cannot be reasonably estimated at this time due to numerous uncertainties.

On April 10, 2020, the FASB issued a staff question-and-answer document (the "Q&A") to address some frequently asked questions about accounting for deferrals of lease payments and reduced future lease payments (both "concessions") related to the effects of the COVID-19 pandemic. Consequently, for concessions related to the effects of the COVID-19 pandemic, an entity will not have to analyze each contract to determine whether enforceable rights and obligations for concessions exist in the contract and can elect to apply or not apply the lease modification guidance in ASC 842 to those contracts. Entities may make the elections for any lessor-provided concessions related to the effects of the COVID-19 pandemic as long as the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. There were no lease concessions granted as a result of COVID-19 during the three months ended March 31, 2020. See below for a summary of concessions being granted to tenants impacted by COVID-19 subsequent to March 31, 2020. We are currently evaluating the Q&A and the appropriate accounting for these concessions.

Subsequent to March 31, 2020, we have received rent relief requests from a number of tenants claiming impacts from COVID-19, many of whom may be making such rent relief requests in response to local California governmental moratoriums on commercial tenant evictions and provisions enabling commercial tenants to defer rent. We are evaluating each tenant's rent relief request on an individual basis and considering a number of factors prior to executing a lease amendment. For tenants requesting rent relief who meet certain established criteria, we are offering the following concessions: (i) application of their security deposit to contractual base rent, (ii) acceleration of future existing contractual rent concessions to cover contractual base rent, (iii) deferral of contractual base rent and (iv) various combinations of the aforementioned options. Not all tenant requests will result in lease amendments, nor are we forgoing our contractual rights under any of our lease agreements. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

Acquisitions

On April 1, 2020, we acquired a one-acre parcel of land located at Brady Way in Garden Grove, California for a contract price of $0.9 million. This parcel of land is adjacent to another one of our properties.

On April 3, 2020, we acquired the property located at 720-750 North Vernon Avenue in Azusa, California for a contract price of $15.5 million. The property consists of one multi-tenant building with a total of 71,692 rentable square feet.

Dividends Declared

On May 4, 2020, our board of directors declared the following quarterly cash dividends/distributions:

Security	Amount per Share/Unit	Record Date	Payment Date
Common stock	$ 0.215	June 30, 2020	July 15, 2020
OP Units	$ 0.215	June 30, 2020	July 15, 2020
5.875% Series A Cumulative Redeemable Preferred Stock	$ 0.367188	June 15, 2020	June 30, 2020
5.875% Series B Cumulative Redeemable Preferred Stock	$ 0.367188	June 15, 2020	June 30, 2020
5.625% Series C Cumulative Redeemable Preferred Stock	$ 0.351563	June 15, 2020	June 30, 2020
4.43937% Cumulative Redeemable Convertible Preferred Units	$ 0.505085	June 15, 2020	June 30, 2020
4.00% Cumulative Redeemable Convertible Preferred Units	$ 0.45	June 15, 2020	June 30, 2020

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

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

Forward-Looking Statements

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

- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with expectations;
- the timing of acquisitions and dispositions;
- potential natural disasters such as earthquakes, wildfires or floods;
- the consequence of any future security alerts and/or terrorist attacks;
- national, international, regional and local economic conditions, including impacts and uncertainty from trade disputes and tariffs on goods imported to the United States and goods exported to other countries;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust (“REIT”) tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance;
- our failure to complete acquisitions;
- our failure to successfully integrate acquired properties;
- our ability to qualify and maintain our qualification as a REIT;
- our ability to maintain our current investment grade rating by Fitch;
- litigation, including costs associated with prosecuting or defending pending or threatened claims and any adverse outcomes;
- 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;
- an epidemic or pandemic (such as the outbreak and worldwide spread of novel coronavirus (“COVID-19”), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities may implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned factors and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period; and
- other events outside of our control.

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 carefully review our financial statements and the notes thereto, as well as the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

Company Overview

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service REIT focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013, and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we acquire, own, improve, develop, lease and manage industrial real estate principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986 (the “Code”), as amended, and generally are not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

As of March 31, 2020, our consolidated portfolio consisted of 223 properties with approximately 27.4 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.0 million rentable square feet.

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

2020 Year to Date Highlights

Acquisitions

- During the first quarter of 2020, we acquired from a group of sellers 10 industrial properties (the “Properties”) with a combined 0.9 million rentable square feet, for an aggregate purchase price of $203.2 million.

Repositioning

- During the first quarter of 2020, we stabilized two of our value-add repositioning properties located at 2455 Conejo Spectrum Street and 635 8th Street with a combined 0.2 million rentable square feet.

Equity

- During the first quarter of 2020, we sold 2,206,957 shares of common stock under our at-the-market equity offering program for gross proceeds of $80.8 million, or approximately $36.62 per share.
- In March 2020, in connection with the acquisition of the Properties, we issued to the sellers 1,406,170 common units of limited partnership interests in the Operating Partnership valued at $63.3 million and 906,374 newly issued 4.00% cumulative redeemable convertible preferred units of partnership interest in the Operating Partnership (the “Series 2 CPOP Units”) valued at $40.8 million.

Financing

- In February 2020, we amended our senior unsecured credit facility to, among other changes, increase the aggregate commitment for our unsecured revolving credit facility to $500 million from $350 million and to extend the maturity date of the unsecured revolving credit facility to February 2024 from February 2021.
- In March 2020, in connection with the acquisition of the Properties, we assumed debt of $44.7 million. The $44.7 million is comprised of nine secured fixed-rate mortgage loans with interest rates ranging from 3.70% to 5.24% and with maturities ranging from 3.0 years to 8.3 years from the date assumed.

Factors That May Influence Future Results of Operations

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The COVID-19 pandemic has significantly adversely impacted global economic activity, has contributed to significant volatility and negative pressure in financial markets and resulted in unprecedented job losses causing many to fear an imminent global recession. The global impact of the outbreak has been rapidly evolving and, as cases of COVID-19 have continued to be identified, many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel.

In Southern California, where all of our industrial properties are located, local government authorities have also reacted by instituting quarantines, restrictions on travel, “shelter in place” rules, restrictions on types of business that may continue to operate, and/or restrictions on the types of construction projects that may continue. We cannot predict when restrictions currently in place will expire. Additionally, in March 2020, the Governor of California issued Executive Order N-28-20, authorizing local municipalities to impose limitations on commercial evictions for nonpayment of rent for tenants impacted by COVID-19. In response to this Executive Order, most municipalities in Southern California have, in turn, mandated a moratorium on all commercial evictions and have given tenants impacted by COVID-19 the unilateral right to defer rent while the emergency “shelter in place” orders are in effect, with repayment generally within three to six months after the end of the local emergency “shelter in place” or similar order. A number of our tenants have taken advantage of the relief provided by the local government mandates authorizing deferral of rent.

As a result of these measures, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including ours and the industries in which our tenants operate, with much of the impact still unknown. Further, the impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer spending as well as other unanticipated consequences remain unknown.

We did not incur significant disruptions from the COVID-19 pandemic during the first quarter of 2020. While we are currently unable to completely estimate the impact that the COVID-19 pandemic and efforts to contain its spread, as well as the California emergency orders authorizing tenant deferral of rent, will have on our business and our tenants, as of May 3, 2020 we have taken the following steps and seen the following impact on our portfolio (using tenant counts and in-place annualized base rent (defined below) as of March 31, 2020):

- We had 1,450 leases representing in-place annualized base rent (“ABR”) of $256.8 million. ABR is defined/calculated as the monthly contractual base rent per the leases, excluding any rent abatements, as of March 31, 2020, multiplied by 12.
- We collected 97.9% of March 2020 contractual rents (which includes contractual base rent and tenant reimbursements).
- We have collected rents or entered into rent relief agreements covering 95.0% of April 2020 contractual rents (which includes contractual base rent and tenant reimbursements).
    - We have collected 82.3% of April 2020 contractual rents.
- We have executed rent relief agreements with 206 tenants, representing 20.1% or $51.5 million of ABR, which address April 2020 and future months and have resulted in the following:
    - Application of $3.5 million of security deposits to contractual base rent;
    - Acceleration of future existing contractual rent concessions of $0.8 million; and
    - Deferral of contractual base rent of $3.3 million. The typical deferral period is approximately 1 to 2 months with repayment generally scheduled to begin in the third or fourth quarter of 2020.
- We have not provided any tenant with payment forgiveness or free rent.
- We collected April 2020 rents from eight of our top ten tenants as of March 31, 2020 and entered into rent relief agreements with respect to the other two top ten tenants, pursuant to which we permitted the tenants to apply their security deposit to contractual base rent, permitted the acceleration of future existing contractual rent concessions and granted the deferral of the remainder of their contractual base rent for one to two months.
- In addition to the above rent relief agreements, we have outstanding rent relief requests from 114 tenants for which we have not yet executed rent relief agreements, comprised of:
    - 70 tenants that paid April 2020 rent, representing 3.5% or $8.9 million of ABR.
    - 44 tenants that have not paid April 2020 rent, representing 2.5% or $6.5 million of ABR.
- We cannot be certain of the number of tenants not paying or deferring rent out of need versus those merely taking

advantage of their local California government-mandated right to unilaterally defer rent without an agreement.

We are continuing to review and negotiate the 114 outstanding rent relief requests and will continue to execute rent relief agreements based on our evaluation of each tenant's individual circumstances. Not all tenant rent relief requests will ultimately result in rent relief agreements, nor are we forgoing our contractual rights under any of our lease agreements. April 2020 collections and rent relief requests to-date may not be indicative of collections or requests in any future period.

The impacts of the COVID-19 pandemic and efforts to contain its spread, as well as the actions of California municipalities enabling tenants impacted by COVID-19 to unilaterally defer their rent, on our rental income for the second quarter of 2020 and thereafter cannot be determined at present. The situation surrounding the COVID-19 pandemic remains fluid, and we are actively managing our response in collaboration with tenants and government officials and assessing potential impacts to our financial position and operating results, as well as potential adverse developments in our business. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

Market Fundamentals

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

In recent years, the infill Southern California industrial real estate sector has continued to exhibit strong fundamentals. These high-barrier infill markets have been characterized by a relative scarcity of available product, generally operating at above 98% occupancy, coupled with the limited ability to introduce new supply due to high land and development costs and a dearth of developable land in markets experiencing a net reduction in supply as more industrial property is converted to non-industrial uses than can be delivered. Consequently, available industrial supply has continued to decrease in many of our target infill submarkets and construction deliveries have fallen short of demand. Meanwhile, preceding the COVID-19 pandemic, underlying tenant demand within our infill target markets continued to demonstrate growth, illustrated or driven by strong re-leasing spreads and renewal activity over the last several years, an expanding regional economy, substantial growth in e-commerce transaction and delivery volumes, as well as further compression of delivery time-frames to consumers and to businesses, increasing the significance of last-mile facilities for timely fulfillment. Although we have observed a number of positive trends within our target infill markets over the last several years, the COVID-19 pandemic and the actions taken by California municipalities enabling tenants impacted by COVID-19 to unilaterally defer their rent are unprecedented events and the ultimate impact on the global economy and our infill Southern California markets cannot be determined at present. While market fundamentals were generally positive during the first quarter of 2020, this may not be representative of where the market may be heading over the upcoming quarters in light of the COVID-19 pandemic.

In Los Angeles County, positive market fundamentals continued into the first quarter of 2020. Despite negative absorption for the quarter, solid tenant demand kept vacancy at historically low levels and average asking lease rates increased slightly quarter-over-quarter. Although there is significant uncertainty as to the ultimate impact of the COVID-19 pandemic, the stable supply and demand fundamentals of the Los Angeles County market puts it in a strong position to weather market uncertainty.

In Orange County, overall vacancy slightly increased but remained at historically low levels and there was a slight decrease in average asking lease rates quarter-over-quarter. Additionally, gross leasing activity was down from the fourth quarter of 2019, which may indicate that some tenants are waiting to transact due to business and economic uncertainty related to COVID-19.

In San Diego, vacancy was unchanged quarter-over-quarter and average asking lease rates decreased slightly quarter-over-quarter.

In Ventura County, there was a slight increase in vacancy quarter-over-quarter and average asking lease rates were unchanged quarter-over-quarter.

Lastly, in the Inland Empire, new industrial product continues to be absorbed well in the market. In the Inland Empire West, which contains the infill markets in which we operate, vacancy remained at historically low levels and average asking lease rates decreased slightly quarter-over-quarter. We generally do not focus on properties located within the Inland Empire East sub-market where available land and the development and construction pipeline for new supply is substantial.

Acquisitions and Value-Add Repositioning and Development of Properties

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

A key component of our growth strategy is to acquire properties through off-market and lightly marketed transactions that are often operating at below-market occupancy or below-market rent at the time of acquisition or that have near-term lease roll-over or that provide opportunities to add value through functional or physical repositioning and improvements. Through various redevelopment, repositioning, and professional leasing and marketing strategies, we seek to increase the properties' functionality and attractiveness to prospective tenants and, over time, to stabilize the properties at occupancy rates that meet or exceed market rates.

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

As of March 31, 2020, nine of our properties were in various stages of repositioning or development and two of our properties were in the lease-up stage. In addition, we anticipate beginning development work on two additional properties over the next couple of years. The tables below set forth a summary of these properties, as well the two properties that were stabilized during the first quarter of 2020 and the seven properties that were stabilized during 2019, as the timing of these stabilizations have a direct impact on our current and comparative results of operations. In addition to the properties in the tables below, we also have a range of smaller spaces in value-add repositioning or renovation, that due to their smaller size and relatively nominal amount of down-time, are not presented below, however, in the aggregate, may be substantial.

The COVID-19 pandemic and restrictions intended to prevent its spread, including impacts to our employees, may cause delays or increase costs associated with building materials or construction services necessary for construction, which could adversely impact our ability to continue or complete construction as planned, on budget or at all for our repositioning and development projects. While some types of construction projects are considered essential during the COVID-19 pandemic and are still permitted by the state of California, future orders by governmental authorities in any of our submarkets may require us to cease construction of ongoing projects. Additionally, most municipalities are taking longer to issue construction permits and complete inspections as their employees are permitting remotely and inspections occasionally experience delays, which will have an impact on project completion timing. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

Property (Submarket)	Market	Estimated New Development Rentable Square Feet[2]	Estimated Construction Period[1] Start	Completion	Total Property Leased % at 3/31/20
Current Development:					
Avenue Paine (San Fernando Valley)	LA	111,024	3Q-2019	4Q-2021	—%
851 Lawrence Drive (Ventura)[3]	VC	90,856	2Q-2018	4Q-2020	—%
12821 Knott Street (West OC)[3]	OC	164,368	1Q-2019	4Q-2020	—%
The Merge (Inland Empire West)[4]	SB	333,491	2Q-2019	3Q-2020	—%
415 Motor Avenue (San Gabriel Valley)[3]	LA	96,950	4Q-2019	3Q-2021	—%
Total Current Development		796,689			
Future Development:					
9615 Norwalk Boulevard (Mid-Counties)[3][5]	LA	201,808	2021	2022	69%
4416 Azusa Canyon Road (San Gabriel Valley)[3]	LA	128,350	1Q-2021	4Q-2021	100%
Total Future Development		330,158			

Property (Submarket)	Market	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/ Lease-up	Estimated Construction Period[(1)] Start	Estimated Construction Period[(1)] Completion	Total Property Leased % at 3/31/20
Current Repositioning:						
16121 Carmenita Road (Mid-Counties)	LA	109,780	57,855	1Q-2019	2Q-2020	47%
10015 Waples Court (Central SD)	SD	106,412	106,412	2Q-2019	2Q-2020	—%
1210 North Red Gum Street (North OC)	OC	64,570	64,570	1Q-2020	2Q-2020	—%
727 Kingshill Place (South Bay)[(6)]	LA	45,160	45,160	1Q-2020	4Q-2020	—%
Total Current Repositioning		325,922	273,997			
Lease-up Stage:						
29003 Avenue Sherman (San Fernando Valley)	LA	68,123	68,123	3Q-2018	4Q-2019	—%
7110 E. Rosecrans Avenue - Unit B (South Bay)	LA	74,856	37,417	1Q-2019	3Q-2019	50%
Total Lease-up Stage		142,979	105,540			
Total Current Repositioning and Lease-up Stage		468,901	379,537			

Stabilized:[(7)]	Market	Stabilized Rentable Square Feet		Stabilized Period	Total Property Leased % at 3/31/20
2455 Conejo Spectrum Street (Ventura)	VC	98,218	—	1Q-2020	100%
635 8th Street (San Fernando Valley)	LA	72,250	—	1Q-2020	100%
Total 2020 Stabilized		170,468			
14748-14750 Nelson Avenue - (San Gabriel Valley)	LA	201,990	—	1Q-2019	100%
1998 Surveyor Avenue (Ventura)	VC	56,306	—	1Q-2019	100%
15401 Figueroa Street (South Bay)	LA	38,584	—	1Q-2019	100%
1332-1340 Rocky Point Drive (North SD)	SD	73,747	—	1Q-2019	100%
1580 Carson Street (South Bay)	LA	43,787	—	3Q-2019	100%
3233 Mission Oaks Blvd. - Unit 3233 (Ventura)	VC	109,636	—	4Q-2019	97%
2722 Fairview Street (OC Airport)	OC	116,575	—	4Q-2019	50%
Total 2019 Stabilized		640,625			

(1) The estimated construction period is subject to change as a result of a number of factors including but not limited to permit requirements, delays in construction, changes in scope, and other unforeseen circumstances.

(2) Represents the estimated rentable square footage of the project upon completion of development.

(3) As of March 31, 2020, these projects have existing buildings aggregating 343,548 rentable square feet that are included in our total portfolio rentable square feet. Includes the following projects: 851 Lawrence (49,976 rentable square feet), 12821 Knott Street (120,800 rentable square feet), 415 Motor Avenue (63,900 rentable square feet), 9615 Norwalk Blvd. (38,362 rentable square feet) and 4416 Azusa Canyon Road (70,510 rentable square feet). For each of these projects we intend to demolish the existing buildings prior to constructing new buildings.

(4) The Merge is a fully entitled industrial development site on which we are under construction of six industrial buildings totaling 333,491 rentable square feet.

(5) 9615 Norwalk Boulevard is a 10.26 acre storage-yard with three buildings totaling 38,362 rentable square feet. In January 2019, we converted the tenant’s month to month land lease to a term lease with an expiration date of March 31, 2021. We will demolish the existing buildings and construct a new 201,808 rentable square foot building upon termination of this land lease.

(6) We acquired 701-727 Kingshill Place, a six-building property, during the three months ended March 31, 2020. The information presented above is related to one of the six buildings which is located at 727 Kingshill Place.

(7) We consider a repositioning property to be stabilized upon the earlier of (i) reaching 90% occupancy or (ii) one year from the date construction work is completed.

Properties that are nonoperational as a result of repositioning or redevelopment activity may qualify for varying levels of interest, insurance and real estate tax capitalization during the development and construction period. An increase in our repositioning and redevelopment activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest, insurance and tax capitalization in future periods. We capitalized $0.9 million of interest expense and $0.3 million of insurance and real estate tax expenses during the three months ended March 31, 2020, respectively, related to our repositioning and redevelopment projects.

Rental Revenues

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

Occupancy Rates

As of March 31, 2020, our consolidated portfolio, inclusive of space in repositioning as described in the subsequent paragraph, was approximately 95.2% occupied, while our stabilized consolidated portfolio exclusive of such space was approximately 97.4% occupied. We believe the opportunity to increase occupancy at our properties will be an important driver of future revenue growth. An opportunity to drive this growth will derive from the lease-up of recently completed repositioning projects and the completion and lease-up of repositioning and development projects that are currently under construction.

As summarized in the tables under "*Acquisitions and Value-Add Repositioning and Development of Properties*" above, as of March 31, 2020, nine of our properties with a combined 1.1 million rentable square feet at completion are in current repositioning or development and two additional properties with a combined 0.1 million rentable square feet are in lease-up. Vacant repositioning space and lease-up space at these 11 properties are concentrated in our Los Angeles, Orange County, Ventura and San Diego markets, and represent 2.2% of our total consolidated portfolio square footage as of March 31, 2020. Including vacant repositioning space and lease-up space at these 11 properties, our weighted average occupancy rate as of March 31, 2020, in Los Angeles, Orange County, Ventura and San Diego was 96.7%, 91.2%, 94.8% and 90.5%, respectively. Excluding vacant repositioning space and lease-up space at these 11 properties, our weighted average occupancy rate as of March 31, 2020, in these markets was 98.5%, 96.4%, 96.8% and 93.9%, respectively. We believe that an important portion of our long-term future growth will come from the completion of these projects, as well as through the identification or acquisition of new opportunities for redevelopment and repositioning, whether in our existing portfolio or through new investments, which may vary from period to period subject to market conditions.

The occupancy rate of properties not undergoing repositioning is affected by regional and local economic conditions in our Southern California infill markets. In the last several years, the Los Angeles, Orange and San Diego county markets have continued to show historically low vacancy and positive absorption, resulting from high tenant demand combined with low product availability. Accordingly, our properties in these markets have generally exhibited a similar trend. While we believe the opportunity to increase occupancy and rental rates at our properties will be an important driver of future revenue growth, there can be no assurance that recent positive market trends will continue, due in part to the COVID-19 pandemic and the impact it will have on the global economy and our local infill Southern California markets.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases for the three months ended March 31, 2020:

	New Leases						
Quarter	**Number of Leases**	**Rentable Square Feet**	**Weighted Average Lease Term (in years)**	**Effective Rent Per Square Foot(1)**		**GAAP Leasing Spreads(2)(4)**	**Cash Leasing Spreads(3)(4)**
Q1-2020	47	424,435	4.3	$	12.46	33.5%	22.1%

	Renewal Leases							Expired Leases		Retention % (7)
Quarter	**Number of Leases**	**Rentable Square Feet**	**Weighted Average Lease Term (in years)**	**Effective Rent Per Square Foot(1)**		**GAAP Leasing Spreads(2)(5)**	**Cash Leasing Spreads(3)(5)**	**Number of Leases**	**Rentable Square Feet(6)**	**Rentable Square Feet**
Q1-2020	60	1,169,923	4.3	$	12.28	37.2%	24.8%	107	1,685,186	79.7%

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

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

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

(4) The GAAP and cash re-leasing spreads for new leases executed during the three months ended March 31, 2020, exclude 14 leases aggregating 249,537 rentable square feet for which there was no comparable lease data. Of these 14 excluded leases, two leases aggregating 65,494 rentable square feet are leases of recently repositioned space. Comparable leases generally exclude: (i) space that has never been occupied under our ownership, (ii) recently repositioned/redeveloped space, (iii) space that has been vacant for over one year or (iv) space with lease terms shorter than six months.

(5) The GAAP and cash re-leasing rent spreads for renewal leases executed during the three months ended March 31, 2020, excludes one land lease for which there was no comparable lease data. Comparable leases generally exclude: (i) space with different lease structures or (ii) space with lease terms shorter than six months.

(6) Includes three leases totaling 198,762 rentable square feet that expired during the three months ended March 31, 2020, for which the space was placed into repositioning after each tenant vacated.

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

Our leasing activity is impacted both by our redevelopment and repositioning efforts, as well as by market conditions. While we reposition a property, its space may become unavailable for leasing until completion of our repositioning efforts. During the three months ended March 31, 2020, we stabilized 2455 Conejo Spectrum Street and 635 8th Street with a combined 170,468 rentable square feet. As of March 31, 2020, we have four current repositioning projects and five development projects with estimated construction completion periods ranging from the second quarter of 2020 to the fourth quarter of 2021. Additionally, we have two properties in the lease-up stage. Based on current market activity, we expect these properties to have positive impacts on our leasing activity and revenue generation as we complete our value-add repositioning plans and place these properties in service. However, the ultimate impact of the COVID-19 pandemic on the timing of the completion of these projects and the rental rates at which we are able to negotiate leases is uncertain. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled “Risk Factors.”

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases is affected by economic and competitive conditions in our markets and by the relative desirability of our individual properties, which may impact our results of operations. The following table sets forth a summary schedule of lease expirations for leases in place as of March 31, 2020, for each of the 10 full and partial calendar years beginning with 2020 and thereafter, plus space that is available and under current repositioning.

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet[(1)]	Percentage of Total Owned Square Feet	Annualized Base Rent[(2)]	Percentage of Total Annualized Base Rent[(3)]	Annualized Base Rent per Square Foot[(4)]
Vacant[(5)]	—	808,792	2.9%	$ —	—%	$ —
Current Repositioning[(6)]	—	508,673	1.9%	$ —	—%	$ —
MTM Tenants[(7)]	62	104,180	0.4%	$ 1,386	0.5%	$ 13.30
Remainder of 2020	245	2,379,845	8.7%	$ 21,688	8.4%	$ 9.11
2021	347	5,429,888	19.8%	$ 50,924	19.8%	$ 9.38
2022	337	3,931,068	14.3%	$ 41,722	16.3%	$ 10.61
2023	218	3,307,995	12.1%	$ 36,955	14.4%	$ 11.17
2024	117	3,704,700	13.5%	$ 35,434	13.8%	$ 9.56
2025	58	2,322,882	8.5%	$ 19,894	7.8%	$ 8.56
2026	20	1,138,026	4.1%	$ 10,873	4.2%	$ 9.55
2027	11	669,948	2.4%	$ 5,827	2.3%	$ 8.70
2028	6	348,447	1.3%	$ 3,301	1.3%	$ 9.47
2029	7	515,599	1.9%	$ 5,603	2.2%	$ 10.87
Thereafter	22	2,259,093	8.2%	$ 23,226	9.0%	$ 10.28
Total Consolidated Portfolio	1,450	27,429,136	100.0%	$ 256,833	100.0%	$ 9.84

(1) Represents the contracted square footage upon expiration.

(2) Calculated as monthly contracted base rent (before rent abatements) per the terms of such lease, as of March 31, 2020, multiplied by 12. Excludes billboard and antenna revenue and tenant reimbursements. Amounts in thousands.

(3) Calculated as annualized base rent set forth in this table divided by annualized base rent for the total portfolio as of March 31, 2020.

(4) Calculated as annualized base rent for such leases divided by the occupied square feet for such leases as of March 31, 2020.

(5) Represents vacant space (not under repositioning) as of March 31, 2020. Includes new leases aggregating 29,973 rentable square feet that have been signed but had not yet commenced as of March 31, 2020.

(6) Represents 0.3 million rentable square feet of vacant space at our properties that were classified as current repositioning and 0.2 million rentable square feet at our development properties that we intend to demolish prior to constructing new buildings as of March 31, 2020. Refer to the table under "*Acquisitions and Value-Add Repositioning and Development of Properties*" for a summary of these properties. Excludes stabilized properties and properties in lease-up.

(7) Represents tenants under month-to-month ("MTM") leases or having holdover tenancy. Of the 62 MTM leases, 55 MTM leases aggregating 57,690 rentable square feet are at our property located at 14723-14825 Oxnard Street, where due to number and the small size of spaces, we typically only enter into MTM leases.

As of March 31, 2020, in addition to 0.8 million rentable square feet of currently available space in our portfolio and 0.5 million rentable square feet of vacant space under current repositioning, leases representing 8.7% and 19.8% of the aggregate rentable square footage of our portfolio are scheduled to expire during the remainder of 2020 and 2021, respectively. During the three months ended March 31, 2020, we renewed 60 leases for 1,169,923 rentable square feet, resulting in a 79.7% retention rate. Our retention rate during the period was impacted by the combination of low vacancy and high demand in many of our key markets. During the three months ended March 31, 2020, both new and renewal leases had a weighted average term of 4.3 years, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the remainder of 2020 and 2021 represent approximately 8.4% and 19.8% respectively, of the total ABR for our portfolio as of March 31, 2020. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire during the remainder of 2020 and 2021 are currently below current market asking rates, although individual units or properties within any particular submarket may currently be leased either above, below, or at the current market asking rates within that submarket.

As described in the "Market Fundamentals" section above, market dynamics were generally positive during the first quarter of 2020. However, this may not be representative of where the market may be headed over the upcoming quarters due to the uncertainty created by the COVID-19 pandemic. Therefore, while we still expect the remainder of 2020 will show positive renewal rates and leasing spreads, we cannot guarantee that they will be as strong as the rental rates and leasing spreads we have experienced during the first quarter of 2020 and prior to 2020. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

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, including the impact of the COVID-19 pandemic, and related state and local government reactions, 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 recovered, in part, by either the triple net provisions or modified gross expense reimbursements in tenant leases. The majority of our leases also comprise contractual three percent annual rental rate increases meant, in part, to help mitigate potential increases in property expenses over time. However, the terms of our leases vary, and, in some instances, we may absorb property expenses. Our overall financial results will be impacted by the extent to which we are able to pass-through property expenses to our tenants.

Taxable REIT Subsidiary

As of March 31, 2020, 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 months ended March 31, 2020 and 2019.

Critical Accounting Policies

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

In our 2019 Annual Report on Form 10-K, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements. We have not made any material changes to our critical accounting policies during the period covered by this report.

Results of Operations

Our consolidated results of operations are often not comparable from period to period due to the effect of (i) property acquisitions, (ii) property dispositions and (iii) properties that are taken out of service for repositioning, redevelopment or development during the comparative reporting periods. Our "Total Portfolio" represents all of the properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions, dispositions, and repositioning/development and to highlight the operating results of our on-going business, we have separately presented the results of our "Stabilized Same Properties Portfolio."

For the three months ended March 31, 2020 and 2019, our Stabilized Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us for the period from January 1, 2019 through March 31, 2020, and that were stabilized prior to January 1, 2019, which consisted of 161 properties aggregating approximately 19.8 million rentable square feet. Results for our Stabilized Same Properties Portfolio exclude any properties that were acquired or sold during the period from January 1, 2019 through March 31, 2020, properties that currently are, were in prior periods or will be classified as under repositioning, development or lease-up during 2019 or 2020, interest income, interest expense and corporate general and administrative expenses. In addition to the properties included in our Stabilized Same Properties Portfolio, our Total Portfolio includes the 50 properties aggregating approximately 6.2 million rentable square feet that were purchased between January 1, 2019 and March 31, 2020, and the four properties aggregating approximately 0.2 million rentable square feet that were sold between January 1, 2019 and March 31, 2020.

As of March 31, 2020 and 2019, our Stabilized Same Properties Portfolio occupancy was approximately 98.0% and 98.1%, respectively. For the three months ended March 31, 2020 and 2019, our Stabilized Same Properties Portfolio weighted average occupancy was approximately 98.0% and 97.8%, respectively.

Comparison of the Three Months Ended March 31, 2020 to the Three Months Ended March 31, 2019

The following table summarizes the historical results of operations for our Stabilized Same Properties Portfolio and Total Portfolio for the three months ended March 31, 2020 and 2019 (dollars in thousands):

	Stabilized Same Properties Portfolio				Total Portfolio			
	Three Months Ended March 31,			%	Three Months Ended March 31,			%
	2020	2019	Increase/(Decrease)	Change	2020	2019	Increase/(Decrease)	Change
REVENUES								
Rental income	$ 57,778	$ 55,693	$ 2,085	3.7 %	$ 77,490	$ 59,604	$ 17,886	30.0 %
Management, leasing and development services	—	—	—	— %	93	102	(9)	(8.8)%
Interest income	—	—	—	— %	97	657	(560)	(85.2)%
TOTAL REVENUES	57,778	55,693	2,085	3.7 %	77,680	60,363	17,317	28.7 %
OPERATING EXPENSES								
Property expenses	13,139	12,639	500	4.0 %	18,114	13,812	4,302	31.1 %
General and administrative	—	—	—	— %	9,317	7,344	1,973	26.9 %
Depreciation and amortization	19,815	20,008	(193)	(1.0)%	27,523	21,996	5,527	25.1 %
TOTAL OPERATING EXPENSES	32,954	32,647	307	0.9 %	54,954	43,152	11,802	27.3 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	5	23	(18)	(78.3)%
Interest expense	—	—	—	— %	7,449	6,471	978	15.1 %
TOTAL EXPENSES	32,954	32,647	307	0.9 %	62,408	49,646	12,762	25.7 %
NET INCOME	$ 24,824	$ 23,046	$ 1,778	7.7 %	$ 15,272	$ 10,717	$ 4,555	42.5 %

Rental Income

On January 1, 2019, we adopted Accounting Standards Codification Topic 842: Leases ("ASC 842") using the modified retrospective approach and elected the "non-separation practical expedient" in ASC 842 that alleviates the requirement to separately present lease and non-lease components of lease contracts if certain criteria are met. As a result, we account for and present all rental income earned pursuant to tenant leases, including tenant reimbursements, as a single component in one line, "Rental income," in our consolidated statements of operations. Prior to the adoption ASC 842, we presented rental revenue, tenant reimbursements and other income related to leases separately in our consolidated statements of operations.

The following table reports the breakdown of 2020 and 2019 rental income, as reported prior to the adoption of ASC 842 (dollars in thousands). We believe that the below presentation of rental income is not, and is not intended to be, a presentation in accordance with GAAP. We are presenting this information because we believe it is frequently used by management, investors, securities analysts and other interested parties to evaluate the Company's performance.

	Stabilized Same Properties Portfolio				**Total Portfolio**			
	Three Months Ended March 31,			**%**	**Three Months Ended March 31,**			**%**
Category	**2020**	**2019**	**Increase/(Decrease)**	**Change**	**2020**	**2019**	**Increase/(Decrease)**	**Change**
Rental revenue(1)	$ 49,165	$ 46,868	$ 2,297	4.9 %	$ 65,255	$ 50,286	$ 14,969	29.8 %
Tenant reimbursements (2)	8,421	8,569	(148)	(1.7)%	11,993	9,041	2,952	32.7 %
Other income(3)	192	256	(64)	(25.0)%	242	277	(35)	(12.6)%
Rental income	$ 57,778	$ 55,693	$ 2,085	3.7 %	$ 77,490	$ 59,604	$ 17,886	30.0 %

Our Stabilized Same Properties Portfolio and Total Portfolio rental income increased by $2.1 million, or 3.7%, and $17.9 million, or 30.0%, respectively, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, for the reasons described below:

(1) Rental Revenue

Our Stabilized Same Properties Portfolio and Total Portfolio rental revenue increased by $2.3 million, or 4.9%, and $15.0 million, or 29.8%, respectively, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019. The increase in our Stabilized Same Properties Portfolio rental revenue is primarily due to increases in average rental rates on new and renewal leases and to a lesser extent, the increase in the weighted average occupancy of the portfolio for comparable periods. Our Total Portfolio rental revenue was also positively impacted by the incremental revenues from the 50 properties we acquired between January 1, 2019, and March 31, 2020.

We are continuing to monitor the potential impact of the COVID-19 pandemic and restrictions intended to prevent its spread, as well as the impact of local California government orders providing tenants impacted by COVID-19 the ability to defer their rent with moratoriums on evictions, on occupancy, rental rates and rent collections. Across our portfolio, we collected substantially all of our rental revenue during the three months ended March 31, 2020. As of May 3, 2020, we have collected rents or entered into rent relief agreements with tenants representing 95.0% of April 2020 contractual rents, and have not yet observed any notable or significant changes in occupancy or rental rates. In connection with the business stoppages for certain of our tenants, we have been engaged in discussions with such tenants and for tenants requesting rent relief who meet certain established criteria, we are offering the following contractual base rent relief options: (i) application of their security deposit to contractual base rent, (ii) acceleration of future existing contractual rent concessions to cover contractual base rent, (iii) deferral of contractual base rent and (iv) various combinations of the aforementioned options. Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent for such period, as well as working with certain tenants who have requested rent relief, we can provide no assurance that such efforts or our efforts in future periods will be successful, particularly in the event that the COVID-19 pandemic and restrictions intended to prevent its spread continue for a prolonged period. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

(2) Tenant Reimbursements

Our Stabilized Same Properties Portfolio tenant reimbursements revenue decreased by $148 thousand, or 1.7%, and our Total Portfolio tenant reimbursements revenue increased by $3.0 million, or 32.7%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019. The decrease in our Stabilized Same Properties Portfolio tenant reimbursements revenue is primarily due to timing differences in completing prior year recoverable expense reconciliations for comparable periods, partially offset by an increase in recoverable operating expenses and an increase in the weighted average occupancy for comparable periods. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental tenant reimbursements from the 50 properties we acquired between January 1, 2019 and March 31, 2020.

(3) Other Income

Our Stabilized Same Properties Portfolio and Total Portfolio other income decreased by $0.1 million, or 25.0%, and $35.0 thousand, or 12.6%, respectively, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to decreases in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by $9 thousand, or 8.8%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019.

Interest Income

Interest income decreased by $0.6 million, or 85.2%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to a decrease in the average cash balance invested in money market accounts.

Property Expenses

Our Stabilized Same Properties Portfolio and Total Portfolio property expenses increased by $0.5 million, or 4.0%, and $4.3 million, or 31.1%, respectively, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019. The increase in our Stabilized Same Properties Portfolio property expenses is primarily due to an increase in real estate tax expense relating to California Proposition 13 annual increases, an increase in utilities expense and an increase in insurance expense. Our Total Portfolio property expenses were also impacted by incremental expenses from the 50 properties we acquired between January 1, 2019, and March 31, 2020.

General and Administrative

Our Total Portfolio general and administrative expenses increased by $2.0 million, or 26.9%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to increases in non-cash equity compensation expense, payroll related costs due to a higher headcount and accrued bonus expense.

Depreciation and Amortization

Our Stabilized Same Properties Portfolio depreciation and amortization expense decreased by $0.2 million, or 1.0%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to acquisition-related in-place lease intangibles becoming fully depreciated at certain of our properties subsequent to January 1, 2019, partially offset by an increase in depreciation expense related to capital improvements placed into service subsequent to January 1, 2019. Our Total Portfolio depreciation and amortization expense increased by $5.5 million, or 25.1%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to the incremental expense from the 50 properties we acquired between January 1, 2019, and March 31, 2020.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by $18 thousand, or 78.3%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019.

Interest Expense

Our Total Portfolio interest expense increased by $1.0 million, or 15.1%, during the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to a $1.0 million increase related to the private placement of $100.0 million of senior notes that we completed in July 2019 and a $0.1 million increase due to the assumption of $44.7 million of debt as part of the consideration for the acquisition of 10 properties on March 5, 2020, partially offset by a $0.3 million increase in capitalized interest related to our repositioning and redevelopment properties.

Non-GAAP Supplemental Measure: Funds From Operations

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

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

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

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

	Three Months Ended March 31,	
	2020	2019
Net income	$ 15,272	$ 10,717
Add:		
Depreciation and amortization	27,523	21,996
Funds From Operations (FFO)	$ 42,795	$ 32,713
Less: preferred stock dividends	(3,636)	(2,423)
Less: FFO attributable to noncontrolling interest[1]	(1,450)	(733)
Less: FFO attributable to participating securities[2]	(195)	(176)
FFO attributable to common stockholders	$ 37,514	$ 29,381

(1) Noncontrolling interests represent (i) holders of outstanding common units of the Company's Operating Partnership that are owned by unit holders other than the Company and (ii) holders of Series 1 CPOP Units and Series 2 CPOP Units.

(2) Participating securities include unvested shares of restricted stock, unvested LTIP units and unvested performance units.

Non-GAAP Supplemental Measures: NOI and Cash NOI

Net operating income ("NOI") is a non-GAAP measure which includes the revenue and expense directly attributable to our real estate properties. NOI is calculated as rental income less property expenses (before interest expense, depreciation and amortization).

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

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

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

	Three Months Ended March 31,	
	2020	**2019**
Rental income	$ 77,490	$ 59,604
Property expenses	18,114	13,812
Net Operating Income	$ 59,376	$ 45,792
Amortization of (below) above market lease intangibles, net	(2,402)	(1,751)
Straight line rental revenue adjustment	(1,672)	(2,067)
Cash Net Operating Income	$ 55,302	$ 41,974

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

	Three Months Ended March 31,	
	2020	**2019**
Net income	$ 15,272	$ 10,717
Add:		
General and administrative	9,317	7,344
Depreciation and amortization	27,523	21,996
Acquisition expenses	5	23
Interest expense	7,449	6,471
Deduct:		
Management, leasing and development services	93	102
Interest income	97	657
Net Operating Income	$ 59,376	$ 45,792
Amortization of (below) above market lease intangibles, net	(2,402)	(1,751)
Straight line rental revenue adjustment	(1,672)	(2,067)
Cash Net Operating Income	$ 55,302	$ 41,974

Non-GAAP Supplemental Measure: EBITDA*re*

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

We believe that EBITDA*re* is helpful to investors as a supplemental measure of our operating performance as a real estate company because it is a direct measure of the actual operating results of our properties. We also use this measure in ratios to compare our performance to that of our industry peers. In addition, we believe EBITDA*re* is frequently used by securities analysts, investors and other interested parties in the evaluation of equity REITs. However, our industry peers may not calculate EBITDA*re* in accordance with the NAREIT definition as we do and, accordingly, our EBITDA*re* may not be comparable to our peers' EBITDA*re*. Accordingly, EBITDA*re* should be considered only as a supplement to net income (loss) as a measure of our performance.

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

	Three Months Ended March 31,	
	2020	2019
Net income	$ 15,272	$ 10,717
Interest expense	7,449	6,471
Depreciation and amortization	27,523	21,996
EBITDA*re*	$ 50,244	$ 39,184

Liquidity and Capital Resources

Overview

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

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

As of March 31, 2020, our cash and cash equivalents were $112.4 million, and we did not have any borrowings outstanding under our unsecured revolving credit facility, leaving $500.0 million available for future borrowings. We believe that this available liquidity makes us well positioned to navigate any macroeconomic uncertainty resulting from the COVID-19 pandemic.

Sources of Liquidity

Cash Flow from Operations

Cash flow from operations is one of our key sources of liquidity and is primarily dependent upon: (i) the occupancy levels and lease rates at our properties, (ii) our ability to collect rent, (iii) the level of operating costs we incur and (iv) our ability to pass through operating expenses to our tenants. Our ability to use cash from operations to continue to meet our liquidity needs could be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic. We are subject to a number of risks, which have been heightened as the result of the COVID-19 pandemic, related to general economic conditions, including reduced occupancy levels, tenant defaults and bankruptcies and potential reductions in rental rates on new and renewal leases, which have the potential to affect our overall performance and resulting cash flows from operations.

ATM Program

On June 13, 2019, we established an at-the-market equity offering program (the "$550 Million ATM Program") pursuant to which we may sell from time to time up to an aggregate of $550.0 million of our common stock through sales agents. During the three months ended March 31, 2020, we sold a total of 2,206,957 shares of our common stock under the $550 Million ATM Program at a weighted average price of $36.62 per share, for gross proceeds of $80.8 million, and net proceeds of $79.6 million, after deducting the sales agents' fee. As of March 31, 2020, we had the capacity to issue up to an additional $269.9 million of common stock under the $550 Million ATM Program.

Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock and capital needs. We intend to use the net proceeds from the offering of shares under the $550 Million ATM Program, if any, to fund potential acquisition opportunities, repay amounts outstanding from time to time under our unsecured revolving credit facility or other debt financing obligations, to fund our development or redevelopment activities and/or for general corporate purposes.

Equity Offerings

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

Capital Recycling

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

During the three months ended March 31, 2020, we did not complete any property dispositions. In the future, we may selectively and opportunistically dispose of properties, however, the timing of any potential future dispositions will depend on market conditions, asset-specific circumstances or opportunities, and our capital needs. Our ability to dispose of selective properties on advantageous terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable, which may be impacted by the current COVID-19 pandemic. For further information regarding the impact of COVID-19 on the Company, see Part II, Item 1A titled "Risk Factors."

Amended Credit Agreement

On February 13, 2020, we amended our prior $450 million credit facility (the "Prior Credit Agreement") by entering into a Third Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a $600.0 million senior unsecured credit facility, comprised of a $500.0 million unsecured revolving credit facility (the "Amended Revolver") and a $100.0 million unsecured term loan facility (the "$100 Million Term Loan Facility"). The Amended Revolver is scheduled to mature on February 13, 2024, and has two six-month extension options available for a maximum maturity date of February 13, 2025, subject to certain conditions and the payment of an additional fee. The $100 Million Term Loan Facility is scheduled to mature on February 14, 2022. Subject to certain terms and conditions set forth in the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate $900.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the $100 Million Term Loan Facility, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.05% to 1.50% per annum for LIBOR-based loans and 0.05% to 0.50% per annum for Base Rate-based loans, depending on our leverage ratio. The margins for the $100 Million Term Loan Facility range in amount from 1.20% to 1.70% per annum for LIBOR-based loans and 0.20% to 0.70% per annum for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's ("S&P") or Moody's Investor Services ("Moody's") to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.725% to 1.40% per annum for LIBOR-based loans and 0.00% to 0.45% per annum for Base Rate-based loans, depending on such rating, and the margins for the $100 Million Term Loan Facility will range in amount from 0.85% to 1.65% per annum for LIBOR-based loans and 0.00% to 0.65% per annum for Base Rate-based loans, depending on such rating.

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

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

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

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

As of the filing date of this Quarterly Report on Form 10-Q, we did not have any borrowings outstanding under the Amended Revolver, leaving $500.0 million available for future borrowings.

Investment Grade Rating

In November 2019, Fitch Ratings affirmed our investment grade credit rating of BBB with a stable outlook on the Prior Credit Agreement, our $225 million unsecured term loan facility (the “$225 Million Term Loan Facility”), our $150 million unsecured term loan facility (the “$150 Million Term Loan Facility”), our $100 million unsecured guaranteed senior notes (the “$100 Million Notes”), our $125 million unsecured guaranteed senior notes (the “$125 Million Notes”), our $25.0 million unsecured guaranteed senior notes (the “Series 2019A Notes”) and our $75.0 million unsecured guaranteed senior notes (the “Series 2019B Notes”). They also affirmed our investment grade credit rating of BB+ on our 5.875% Series A Cumulative Redeemable Preferred Stock, 5.875% Series B Cumulative Redeemable Preferred Stock and 5.625% Series C Cumulative Redeemable Preferred Stock. Our credit ratings are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us, and, although it is our intent to maintain our investment grade credit rating, there can be no assurance that we will be able to maintain our current credit ratings. In the event our current credit ratings are downgraded, it may become difficult or more expensive to obtain additional financing or refinance existing indebtedness as maturities become due.

Uses of Liquidity

Acquisitions

One of our most significant liquidity needs has historically been for the acquisition of real estate properties. Year to date, we have acquired one small land parcel and 11 properties with a combined 0.9 million rentable square feet for a total gross purchase price of $219.5 million, and we are actively monitoring a volume of properties in our markets that we believe represent attractive potential investment opportunities to continue to grow our business. As of the filing date of this Quarterly Report on Form 10-Q, we have approximately $175.2 million of acquisitions under contract or letter of intent. There can be no assurance we will complete any such acquisitions. While the actual number of acquisitions that we complete will be dependent upon a number of factors, in the short term, we expect to fund our acquisitions through available cash on hand, cash flows from operations, borrowings available under the Amended Revolver, recycling capital through property dispositions and, in the long term, through the issuance of equity securities or proceeds from long-term secured and unsecured financings.

Recurring and Nonrecurring Capital Expenditures

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. As discussed above under — Factors that May Influence Future Results —Acquisitions and Value-Add Repositioning and Development of Properties, as of March 31, 2020, 13 of our properties were in various stages of repositioning, development or lease-up. We currently estimate that approximately $101.5 million of capital will be required through the end of 2022, to bring these projects to completion. However, this estimate is based on our current construction plans and budgets, both of which are subject to change as a result of a number of factors, including as a result of the COVID-19 pandemic and restrictions intended to prevent its spread, which may cause delays or increase costs associated with building materials or construction services. If we are unable to complete construction on schedule or within budget, we could incur increased construction costs and experience potential delays in leasing the properties. We expect to fund these projects through a combination of cash flow from operations, the issuance of common stock under the $550 Million ATM Program and borrowings available under the Amended Revolver.

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

	Three Months Ended March 31, 2020		
	Total(1)	Square Feet(2)	Per Square Foot(3)
Non-Recurring Capital Expenditures(4)	$ 12,411	15,470,056	$ 0.80
Recurring Capital Expenditures(5)	1,575	26,821,851	$ 0.06
Total Capital Expenditures	$ 13,986		

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

(2) For non-recurring capital expenditures, reflects the aggregate square footage of the properties in which we incurred such capital expenditures. For recurring capital expenditures, reflects the weighted average square footage of our consolidated portfolio during the period.

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

(4) Non-recurring capital expenditures are expenditures made with respect to improvements to the appearance of such property or any development or other major upgrade or renovation of such property, and further includes capital expenditures for seismic upgrades, or capital expenditures for deferred maintenance existing at the time such property was acquired.

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

Commitments and Contractual Obligations

The following table sets forth our principal obligations and commitments as of March 31, 2020, including (i) scheduled principal payments and debt maturities, (ii) periodic interest payments related to our outstanding indebtedness and interest rate swaps, (iii) office lease payments and (iv) other contractual obligations (in thousands):

	Payments by Period						
	Total	Remainder of 2020	2021	2022	2023	2024	Thereafter
Principal payments and debt maturities	$ 905,645	$ 560	$ 1,200	$ 101,630	$ 289,245	$ 10,348	$ 502,662
Interest payments - fixed-rate debt(1)	125,026	9,614	15,509	14,972	15,116	14,311	55,504
Interest payments - variable-rate debt(2)	57,389	12,594	16,435	13,189	7,546	6,150	1,475
Office lease payments(3)	7,368	905	1,498	1,512	1,563	1,606	284
Contractual obligations(4)	38,932	38,932	—	—	—	—	—
Total	$ 1,134,360	$ 62,605	$ 34,642	$ 131,303	$ 313,470	$ 32,415	$ 559,925

(1) Reflects scheduled interest payments on our fixed rate debt, including the $100 Million Notes, $125 Million Notes, Series 2019A Notes, Series 2019B Notes and our various mortgage loans.

(2) Reflects an estimate of interest payments due on variable rate debt, including the impact of interest rate swaps. For variable rate debt where interest is paid based on LIBOR plus an applicable LIBOR margin, we used the applicable LIBOR margin in effect as of March 31, 2020, and the one-month LIBOR rate of 0.99288%, as of March 31, 2020. Furthermore, it is assumed that any maturity extension options available are not exercised.

(3) See Note 6 to our consolidated financial statements for further details regarding leases. As of March 31, 2020, we have one additional office lease for office space which has not commenced of $1.9 million which has been included above.

(4) Includes total commitments for tenant improvements related to obligations under certain tenant leases and construction work related to obligations under contractual agreements with our construction vendors. We anticipate these obligations

to be paid as incurred through the remainder of 2020 and 2021, however, as the timing of these obligations is subject to a number of factors, for purposes of this table, we have included the full amount under “Remainder of 2020”.

Dividends and Distributions

In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to distribute a percentage of our cash flow on a quarterly basis to holders of our common stock. In addition, we intend to make distribution payments to holders of OP Units and preferred units and dividend payments to holders of our preferred stock.

On May 4, 2020, our board of directors declared the following quarterly cash dividends/distributions:

Security	Amount per Share/Unit	Record Date	Payment Date
Common stock	$ 0.215	6/30/2020	7/15/2020
OP Units	$ 0.215	6/30/2020	7/15/2020
5.875% Series A Cumulative Redeemable Preferred Stock	$ 0.367188	6/15/2020	6/30/2020
5.875% Series B Cumulative Redeemable Preferred Stock	$ 0.367188	6/15/2020	6/30/2020
5.625% Series C Cumulative Redeemable Preferred Stock	$ 0.351563	6/15/2020	6/30/2020
4.43937% Cumulative Redeemable Convertible Preferred Units	$ 0.505085	6/15/2020	6/30/2020
4.00% Cumulative Redeemable Convertible Preferred Units	$ 0.45	6/15/2020	6/30/2020

Consolidated Indebtedness

The following table sets forth certain information with respect to our consolidated debt outstanding as of March 31, 2020:

	Maturity Date	Margin Above LIBOR	Effective Interest Rate[1]	Principal Balance (in thousands)[2]	Maturity Date of Effective Swaps
Secured and Unsecured Debt:					
Unsecured Debt:					
Revolver[3]	2/13/2024 [4]	1.050% [5]	2.043%	$ —	
$100M Term Loan Facility	2/14/2022	1.200% [5]	2.964% [6]	100,000	8/14/2021
$225M Term Loan Facility	1/14/2023	1.200% [5]	2.574% [7]	225,000	1/14/2022
$150M Term Loan Facility	5/22/2025	1.500% [5]	4.263% [8]	150,000	11/22/2024
$100M Senior Notes	8/6/2025	n/a	4.290%	100,000	
$125M Senior Notes	7/13/2027	n/a	3.930%	125,000	
$25M Series 2019A Senior Notes	7/16/2029	n/a	3.880%	25,000	
$75M Series 2019B Senior Notes	7/16/2034	n/a	4.030%	75,000	
Total Unsecured Debt				$ 800,000	
Secured Debt:					
$60M Term Loan	8/1/2023 [9]	1.700%	2.693%	$ 58,499	
Gilbert/La Palma	3/1/2031	n/a	5.125%	2,419	
701-751 Kingshill Place	1/5/2026	n/a	3.900%	7,100	
2601-2641 Manhattan Beach Boulevard	4/5/2023	n/a	4.080%	4,147	
2410-2420 Santa Fe Avenue	1/1/2028	n/a	3.700%	10,300	
11600 Los Nietos Road	5/1/2024	n/a	4.190%	2,899	
5160 Richton Street	11/15/2024	n/a	3.790%	4,471	
2205 126th Street	12/1/2027	n/a	3.910%	5,200	
11832-11954 La Cienega Boulevard	7/1/2028	n/a	4.260%	4,100	
7612-7642 Woodwind Drive	1/5/2024	n/a	5.240%	3,959	
960-970 Knox Street	11/1/2023	n/a	5.000%	2,551	
Total Secured Debt				$ 105,645	
Total Consolidated Debt			3.520%	$ 905,645	

(1) Includes the effect of interest rate swaps that were effective as of March 31, 2020. See footnotes (6), (7) and (8) below. Assumes a 1-month LIBOR rate of 0.99288% as of March 31, 2020, as applicable. Excludes the effect of amortization of debt issuance costs, premiums/discounts and the facility fee on the Amended Revolver.

(2) Excludes unamortized debt issuance costs and premiums/discounts totaling $1.8 million as of March 31, 2020.

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

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

(5) The interest rates on these loans are comprised of LIBOR plus a LIBOR margin. The LIBOR margin will range from 1.05% to 1.50% per annum for the Amended Revolver, 1.20% to 1.70% per annum for the $100 Million Term Loan Facility, 1.20% to 1.70% per annum for the $225 Million Term Loan Facility and 1.50% to 2.20% per annum for the $150 Million Term Loan Facility, depending on our leverage ratio, which is the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. This leverage ratio is measured on a quarterly basis, and as a result, the effective interest rate will fluctuate from period to period.

(6) As of March 31, 2020, the $100 Million Term Loan Facility has been effectively fixed at 1.764% plus an applicable LIBOR margin through the use of an interest rate swap with a notional value of $100.0 million and an effective date of December 14, 2018.

(7) As of March 31, 2020, the $225 Million Term Loan Facility has been effectively fixed at 1.374% plus the applicable LIBOR margin through the use of two interest rate swaps as follows: (i) $125 million with a strike rate of 1.349% and an effective date of February 14, 2018, and (ii) $100 million with a strike rate of 1.406% and an effective date of August 14, 2018, plus the applicable LIBOR margin.

(8) As of March 31, 2020, the $150 Million Term Loan Facility has been effectively fixed at 2.7625% plus an applicable LIBOR margin through the use of an interest rate swap with a notional value of $150.0 million and an effective date of July 22, 2019.

(9) Loan is secured by six properties. One 24-month extension is available at the borrower's option, subject to certain terms and conditions.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of March 31, 2020:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate(1)	Principal Balance (in thousands)(2)	% of Total
Fixed vs. Variable:					
Fixed	5.5	3.58%	3.58%	$ 847,146	94%
Variable	3.3	LIBOR + 1.70%	2.69%	$ 58,499	6%
Secured vs. Unsecured:					
Secured	4.6		3.34%	$ 105,645	12%
Unsecured	5.4		3.54%	$ 800,000	88%

(1) Includes the effect of interest rate swaps that were effective as of March 31, 2020. Excludes the effect of amortization of debt issuance costs, premiums/discounts and the facility fee on the Amended Revolver. Assumes a 1-month LIBOR rate of 0.99288% as of March 31, 2020, as applicable.

(2) Excludes unamortized debt issuance costs and discounts totaling $1.8 million as of March 31, 2020.

At March 31, 2020, we had total consolidated indebtedness of $905.6 million, excluding unamortized debt issuance costs and premiums/discounts, with a weighted average interest rate of 3.52% and an average term-to-maturity of 5.3 years. As of March 31, 2020, $847.1 million, or 94% of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan ($372.1 million) or an interest rate swap ($475.0 million).

At March 31, 2020, we had consolidated indebtedness of $905.6 million, reflecting a net debt to total combined market capitalization of approximately 13.1%. Our total market capitalization is defined as the sum of the liquidation preference of our outstanding preferred stock and preferred units plus the market value of our common stock excluding shares of nonvested restricted stock, plus the aggregate value of common units not owned by us, plus the value of our net debt. Our net debt is defined as our consolidated indebtedness less cash and cash equivalents.

Debt Covenants

The Amended Credit Agreement, $225 Million Term Loan Facility, $150 Million Term Loan Facility, $100 Million Notes, $125 Million Notes and Series 2019A and 2019B Notes all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- For the Amended Credit Agreement, $225 Million Term Loan Facility and $150 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the $100 Million Notes, $125 Million Notes and Series 2019A and 2019B Notes (together the "Senior Notes"), maintaining a ratio of secured debt to total asset value of not more than 40%;
- For the Senior Notes, maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- For the Amended Credit Agreement, $225 Million Term Loan Facility and $150 Million Term Loan Facility, maintaining a minimum tangible net worth of at least the sum of (i) $2,061,865,500, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2019;
- For the Senior Notes, maintaining a minimum tangible net worth of at least the sum of (i) $760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.50 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%; and
- Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Agreement, $225 Million Term Loan Facility, $150 Million Term Loan Facility and Senior Notes also contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as defined in the credit agreement) and (2) the amount required for us to qualify and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

Additionally, subject to the terms of the Senior Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Senior Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Senior Notes agreement and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Senior Notes will become due and payable at the option of the purchasers. In addition, we are required to maintain at all times a credit rating on the Senior Notes from either S&P, Moody's or Fitch. As noted above, most recently in November 2019, Fitch affirmed the investment grade rating of the Senior Notes at BBB with a stable outlook.

The $60 Million Term Loan contains the following financial covenants:

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

We were in compliance with all of our quarterly debt covenants as of March 31, 2020.

Off Balance Sheet Arrangements

As of March 31, 2020, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Three Months Ended March 31, 2020 to the Three Months Ended March 31, 2019

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the three months ended March 31, 2020 and 2019 (in thousands):

	Three Months Ended March 31,		
	2020	2019	Change
Cash provided by operating activities	$ 46,493	$ 36,184	$ 10,309
Cash used in investing activities	$ (63,138)	$ (165,440)	$ 102,302
Cash provided by financing activities	$ 50,266	$ 225,230	$ (174,964)

Net cash provided by operating activities. Net cash provided by operating activities increased by $10.3 million to $46.5 million for the three months ended March 31, 2020, compared to $36.2 million for the three months ended March 31, 2019. The increase was primarily attributable to incremental cash flows from property acquisitions completed subsequent to January 1, 2019, and the increase in Cash NOI from our Stabilized Same Properties Portfolio, partially offset by an increase in cash interest paid for comparable periods.

Net cash used in investing activities. Net cash used in investing activities decreased by $102.3 million to $63.1 million for the three months ended March 31, 2020, compared to $165.4 million for the three months ended March 31, 2019. The decrease was primarily attributable to a $108.2 million decrease in cash paid for property acquisitions and acquisition related deposits, partially offset by a $5.9 million increase in cash paid for construction and repositioning projects for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities decreased by $175.0 million to $50.3 million for the three months ended March 31, 2020, compared to $225.2 million for the three months ended March 31, 2019. The decrease was primarily attributable to the following: (i) a decrease of $165.0 million in net cash proceeds from the sale of shares of our common stock (ii) an increase of $5.7 million in dividends and distributions paid to common stockholders and unit holders resulting from the increase in the number of common shares outstanding and the increase in our quarterly per share cash dividend and (iii) an increase of $2.2 million in deferred loan costs paid related to the amendment of our senior unsecured credit facility in February 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

As of March 31, 2020, the $100 Million Term Loan Facility has been effectively fixed through the use of an interest rate swap. The interest rate swap has a notional value of $100.0 million, an effective date of December 14, 2018, a maturity date of August 14, 2021, and currently fixes the annual interest rate payable on the $100 Million Term Loan Facility at 1.764% plus an applicable LIBOR margin under the terms of the Credit Facility.

As of March 31, 2020, the $225 Million Term Loan Facility has been effectively fixed through the use of two interest rate swaps. The first interest rate swap has a notional value of $125.0 million, an effective date of February 14, 2018, a maturity date of January 14, 2022, and currently fixes the annual interest rate payable at 1.349% plus an applicable LIBOR margin under the terms of the $225 Million Term Loan Facility. The second interest rate swap has a notional value of $100.0 million, an effective date of August 14, 2018, a maturity date of January 14, 2022, and currently fixes the annual interest rate payable at 1.406% plus an applicable LIBOR margin under the terms of the $225 Million Term Loan Facility.

As of March 31, 2020, the $150 Million Term Loan Facility has been effectively fixed through the use of an interest rate swap. The interest rate swap has a notional value of $150.0 million, an effective date of July 22, 2019, a maturity date of November 22, 2024, and currently fixes the annual interest rate payable on the $150 Million Term Loan Facility at 2.7625% plus an applicable margin under the terms of the $150 Million Term Loan Facility.

At March 31, 2020, we had total consolidated indebtedness, excluding unamortized debt issuance costs and premiums/discounts, of $905.6 million. Of this total amount, $847.1 million, or 94%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining $58.5 million, or 6%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of March 31, 2020, 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 $0.3 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would increase our future earnings and cash flows by approximately $0.3 million annually.

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

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

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including our Co-Chief Executive Officers and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of March 31, 2020, the end of the period covered by this report.

Based on the foregoing, our Co-Chief Executive Officers and Chief Financial Officer concluded that, as of March 31, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

With the exception of the following, there have been no other material changes in our risk factors from those previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2019.

***The ongoing COVID-19 pandemic, restrictions intended to prevent its spread and local governments' actions impacting our ability to collect rent could adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations*.**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. The ongoing COVID-19 pandemic and restrictions intended to prevent its spread has already had a significant adverse impact on economic and market conditions around the world, including the United States and the infill Southern California markets in which we own properties and have development projects, to date in 2020 and could further trigger a period of sustained global and U.S. economic downturn or recession. In particular, our properties are concentrated in Southern California, and the state of California and certain cities, including where we own properties and/or have development projects have reacted to the COVID-19 pandemic by instituting quarantines, restrictions on travel, "shelter in place" rules, restrictions on types of business that may continue to operate and/or restrictions on types of construction projects that may continue, although, exceptions are available for essential retail, food processing and distribution, shipping businesses, essential building services, such as cleaning and maintenance, manufacturing that enables the continued operating of other essential businesses and certain essential construction projects. There can be no assurance that such exceptions will enable us to avoid adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations. For instance, our properties are concentrated in certain industries, which, as of March 31, 2020, included the following (and accounted for the percentage of our total annualized base rent indicated): Wholesale Trade (22.8%); Warehousing (17.5%); Manufacturing (17.0%); Retail Trade (8.9%); and Transportation Services (6.6%), and these and other industries may not be covered by the exceptions listed above and have already been negatively impacted by reductions in demand resulting from the COVID-19 pandemic and/or restrictions intended to prevent its spread. These trends may influence occupancy levels and the immediate ability or willingness of certain of our tenants to pay rent in full on a timely basis.

Numerous state, local, federal and industry-initiated efforts have also affected or may affect landlords and their ability to collect rent and or enforce remedies for the failure to pay rent. For example, in March 2020, the Governor of California issued Executive Order N-28-20, authorizing local municipalities to impose limitations on commercial evictions for nonpayment of rent for tenants impacted by COVID-19. In response to this Executive Order, most municipalities in Southern California have, in turn, mandated a moratorium on all commercial evictions and have given tenants impacted by COVID-19 the unilateral right to defer rent while the emergency "shelter in place" orders are in effect, with repayment generally within three to six months after the end of the local emergency "shelter in place" or similar order. Across our portfolio, we collected substantially all of our rent for the three month period ended March 31, 2020. For the month of April 2020, we have collected 82.3% of contractual rents, which includes contractual base rent and tenant reimbursements. As of May 3, 2020, we have executed rent relief agreements granting rent relief to 206 tenants that represented approximately 20.1% of our ABR at March 31, 2020 and we have outstanding rent relief requests from 114 tenants for which we have not yet executed rent relief agreements. Of these 114 tenants, 70 tenants representing 3.5% of ABR at March 31, 2020 paid April 2020 rent and 44 tenants representing 2.5% of ABR at March 31, 2020 have not paid April 2020 rent. Rent relief agreements executed through May 3, 2020 cover April 2020 contractual base rent and/or contractual base rent for subsequent months. There can be no assurance as to if or when tenants who request or receive rent relief and/or fail to timely make rent payments for any particular month will resume making payments at all or that such tenants will not default on their obligations under their respective leases or rent relief agreements.

At this time, we cannot predict the number of additional tenants that will not pay rent for the month of April 2020, nor can we predict whether tenants who have paid or will pay for April 2020 will continue to do so in May 2020 and thereafter, including with respect to our largest tenants. We also cannot be certain of the number of tenants not paying or deferring rent out of need versus those merely taking advantage of their government-mandated ability to unilaterally defer rent. As the

COVID-19 pandemic continues, additional tenants may cease to pay their rent obligations to us in full or at all, and tenants may elect not to renew their leases, seek to terminate their leases, seek relief from their leases (including through negotiation, restructuring or bankruptcy), or decline to renew expiring leases or enter into new leases, all of which may adversely impact our rental revenue and occupancy rates, generate additional expenses, and adversely impact our results of operations and financial condition. Likewise, the deterioration of global economic conditions as a result of the pandemic may ultimately lead to a further decrease in occupancy levels and rental rates across our portfolio as tenants reduce or defer their spending, institute restructuring plans or file for bankruptcy. Some of our major tenants have announced temporary closures of some or all of their places of business or have substantially reduced their operations in response to the COVID-19 pandemic, and additional tenants may do so in the future. In addition, the measures taken to prevent the spread of COVID-19 (including quarantine, shelter-in-place or similar orders requiring that people remain in their homes) have lead and may lead to further closures, or other operational issues at, our properties.

Moreover, the ongoing COVID-19 pandemic and restrictions intended to prevent its spread could have significant adverse impacts on our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations in a variety of ways that are difficult to predict. Such adverse impacts could depend on, among other factors:

- our tenants' ability or willingness to pay rent in full on a timely basis;
- state, local, federal and industry-initiated efforts that may adversely affect landlords, including us, and their ability to collect rent and/or enforce remedies for the failure to pay rent;
- our need to restructure leases with our tenants and our ability to do so on favorable terms or at all;
- our ability to renew leases or re-lease available space in our proprieties on favorable terms or at all, including as a result of a deterioration in the economic and market conditions in the markets in which where we own properties or due to restrictions intended to prevent the spread of COVID-19 that frustrate our leasing activities;
- a severe and prolonged disruption and instability in the global financial markets, including the debt and equity capital markets, all of which have already experienced and may continue to experience significant volatility, or deteriorations in credit and financing conditions may affect our or our tenants' ability to access capital necessary to fund our respective business operations or replace or renew maturing liabilities on a timely basis, on attractive terms or at all and may adversely affect the valuation of financial assets and liabilities, any of which could affect our and our tenants' ability to meet liquidity and capital expenditure requirements;
- complete or partial shutdowns of one or more of our tenants' manufacturing facilities or distribution centers, temporary or long-term disruptions in our tenants' supply chains from local, national and international suppliers or delays in the delivery of products, services or other materials necessary for our tenants' operations, which could force our tenants' to reduce, delay or eliminate offerings of their products and services, reduce or eliminate their revenues and liquidity and/or result in their bankruptcy or insolvency;
- our ability to avoid delays or cost increases associated with building materials or construction services necessary for construction that could adversely impact our ability to continue or complete construction as planned, on budget or at all;
- our and our tenants' ability to manage our respective businesses to the extent our and their management or personnel are impacted in significant numbers by the COVID-19 pandemic and are not willing, available or allowed to conduct work; and
- our and our tenants' ability to ensure business continuity in the event our continuity of operations plan is not effective or improperly implemented or deployed during the COVID-19 pandemic.

Since March 13, 2020, there have been a number of federal, state and local government initiatives implemented to manage the spread of COVID-19 and its impact on the economy, financial markets and continuity of businesses of all sizes and industries. We are encouraging our tenants to review the these initiatives to determine whether any of the provisions may provide them with loans or additional liquidity to enable them to continue to meet their lease obligations to us; however, there can be no assurance that our tenants will do so or that such initiatives will provide them with any such assistance. In addition, we are analyzing different aspects of these initiatives to determine whether (in addition to any general support it may provide to the economy and our tenants) any specific provisions may more directly benefit us.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas present material risks and uncertainties with respect to our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and could also have a material adverse effect on the value and trading price of our common stock. Moreover, to the extent any of these risks and uncertainties adversely impact us in the ways described above or otherwise, they may also have the effect of heightening many of the other risks set forth in this "Risk Factors" section and in our Annual Report on Form 10-K for the year ended December 31, 2019.

Historical data regarding our business, properties, results of operations, financial condition and liquidity does not reflect the impact of the COVID-19 pandemic and related containment measures and therefore does not purport to be representative of our future performance.

The information included in this quarterly report and our other reports filed with the SEC includes information regarding our business, properties, results of operations, financial condition and liquidity as of dates and for periods before the impact of COVID-19 and related containment measures (including quarantines and governmental orders requiring the closure of certain businesses, limiting travel, requiring that individuals stay at home or shelter in place and closing borders). This historical information therefore does not reflect the adverse impacts of the COVID-19 pandemic and the related containment measures. Accordingly, investors are cautioned not to unduly rely on historical information regarding our business, properties, results of operations, financial condition or liquidity, as that data does not reflect the adverse impact of COVID-19 and therefore does not purport to be representative of the future results of operations, financial condition, liquidity or other financial or operating results of us, our properties or our business.

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

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2020 to January 31, 2020	—	$ —	N/A	N/A
February 1, 2020 to February 29, 2020[1]	68	$ 50.50	N/A	N/A
March 1, 2020 to March 31, 2020[1]	25,729	$ 46.77	N/A	N/A
	25,797	$ 46.78	N/A	N/A

(1) In February 2020 and March 2020, 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

Our discussion of federal income tax considerations in Exhibit 99.1 attached hereto, which is incorporated herein by reference, supersedes and replaces, in its entirety, the disclosure under the heading "U.S. Federal Income Tax Considerations" in the prospectus dated February 19, 2019, which is a part of our Registration Statement on Form S-3 (File No. 333- 229731). Our updated discussion addresses recently enacted tax law changes.

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	Fourth Amended and Restated Bylaws of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.2 of Form 8-K, filed by the registrant on February 14, 2020)
3.3	Articles Supplementary designating the Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A, filed by the registrant on August 15, 2016)
3.4	Articles Supplementary designating the Series B Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A, filed by the registrant on November 9, 2017)
3.5	Articles Supplementary designating the Series C Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A, filed by the registrant on September 19, 2019)
3.6	Seventh Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.1 of Form 8-K, filed by the registrant on March 5, 2020)
4.1	Form of Certificate of Common Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))
4.2	Form of Specimen Certificate of Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A, filed by the registrant on August 15, 2016)
4.3	Form of Specimen Certificate of Series B Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A, filed by the registrant on November 9, 2017)
4.4	Form of Specimen Certificate of Series C Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A, filed by the registrant on September 19, 2019)
10.1	Third Amended and Restated Credit Agreement, dated as of February 13, 2020, among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and the other lenders named therein. (incorporated by reference to Exhibit 10.1 of Form 8-K, filed by the registrant on February 14, 2020)
10.2	Fifth Amendment to Credit Agreement, dated as of February 13, 2020, among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., PNC Bank, National Association, as administrative agent and a lender, and the other lenders named therein. (incorporated by reference to Exhibit 10.2 of Form 8-K, filed by the registrant on February 14, 2020)
10.3	First Amendment to Credit Agreement, dated as of February 13, 2020, among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Capital One, National Association, as administrative agent and lender, and the other lenders named therein. (incorporated by reference to Exhibit 10.3 of Form 8-K, filed by the registrant on February 14, 2020)
10.4*†	Resignation Letter of Adeel Khan effective as of January 15, 2020
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
99.1*	U.S. Federal Income Tax Considerations
101.1*	The registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to the Consolidated Financial Statements (unaudited) that have been detail tagged.
104.1*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.

* Filed herein

† Compensatory plan or arrangement

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.
May 4, 2020	/s/ Michael S. Frankel
	Michael S. Frankel
	Co-Chief Executive Officer (Principal Executive Officer)
May 4, 2020	/s/ Howard Schwimmer
	Howard Schwimmer
	Co-Chief Executive Officer (Principal Executive Officer)
May 4, 2020	/s/ Adeel Khan
	Adeel Khan
	Chief Financial Officer (Principal Financial and Accounting Officer)

Rexford Industrial

January 15, 2020

Re: Letter of Resignation

Dear Michael and Howard:

Please accept my formal letter of resignation as Chief Financial Officer of Rexford Industrial Realty, Inc. and its affiliated companies (collectively, the "Company"). This decision was made solely by me, without request or suggestion by the Company, and without "Good Reason" as defined in my Employment Agreement dated November 25, 2014 (as amended to date, my "Employment Agreement"). Capitalized terms used but not defined shall have the meanings provided in the Employment Agreement. Notwithstanding anything to the contrary contained in my Employment Agreement, in the event of conflict between the terms of this Letter of Resignation and the Employment Agreement, the terms of this Letter of Resignation shall control.

My resignation is not the result of any disagreement or conflict with the Company. I intend to serve as the Company's Chief Financial Officer during the Transition Period described below, ideally during which time a replacement is found so I may assist in the transition of the Chief Financial Officer role to a replacement Chief Financial Officer. I am also available and desire to serve in other capacities and to potentially assume a new position within the Company as may be mutually agreed upon by us after the hire of a replacement Chief Financial Officer.

For a period commencing on the date of this Letter of Resignation (the "Notice Date") and ending upon the earliest to occur of (i) the 90^{th} day following the start date of a new Chief Financial Officer, and (ii) the first anniversary of the Notice Date (in any case, the "Transition Period"), I am available to the Company under the following terms (collectively, the "Transition Period Terms"):

1. I shall continue to serve during the Transition Period in my capacity as Chief Financial Officer until a replacement Chief Financial Officer begins employment with the Company, at which point the Company may change my title, duties and/or responsibilities to that of a transitional/non-officer role or to another role as mutually agreed by the Company and myself;
2. Following the Transition Period if there is no such mutually agreed upon role, the Company may terminate my employment for any reason or no reason at all and shall only be responsible for the Transition Compensation (defined below), such that this provision shall supersede the terms of my Employment Agreement;
3. During the Transition Period, I shall use good faith, best efforts to continue to serve in my role as Chief Financial Officer of the Company until my replacement starts and then use good faith, best efforts through any remaining portion of the Transition Period to assist in the transition of my responsibilities to the new Chief Financial Officer.

Rexford Industrial

4. Further, provided I fulfill the Transition Period Terms and my employment has not been terminated by the Company for Cause or by me prior to expiration of the Transition Period, my Employment Agreement shall remain in effect, except as modified or amended by this Letter of Resignation, until I no longer serve as Chief Financial Officer, and I shall receive the following compensation (such compensation being the "Transition Compensation"):

   (a) regular payments of my base salary at the existing base salary of $425,000 in accordance with the Company's regular payroll dates during the Transition Period, which, in any case, shall be paid for a period of not less than 6 months from the Notice Date irrespective of the date of hire and transition of a new Chief Financial Officer;

   (b) all of the health, welfare and retirement benefits in effect for me and my eligible dependents as of the Notice Date (on the same terms and conditions as currently apply, other than changes to any such plan(s) affecting officers of the Company generally), and following the expiration of the Transition Period to the extent I am no longer then employed by the Company, for a period extending for 12 months from the expiration of the Transition Period in the form of Company paid COBRA;

   (c) subject to my timely execution and non-revocation of a Release (as provided in the Employment Agreement, including as to payment timing around a Release), my earned share of the prorated 2020 cash bonus in accordance with the performance goals set forth in the 2020 NEO bonus criteria and leverage percentages established by the Company's Compensation Committee, which cash bonus (if earned) shall be paid in 2021 when the other 2020 NEO bonuses are paid, prorated for the period of January 1, 2020 through the employment start date for the replacement Chief Financial Officer; and,

   (d) the LTIP units granted by my existing time-based LTIP unit agreements (2016, 2017, 2018 and 2019) and my existing OPP performance unit agreements (2017, 2018 and 2019) (collectively, the "LTIP Agreements"), shall continue to vest and become nonforfeitable in accordance with the terms of the LTIP Agreements during my continued Transition Period employment, and to the extent my employment is terminated for any reason all LTIP units unvested at the time of such termination shall be forfeited without further vesting or being deemed a Qualifying Termination;

5. For clarity, if I terminate my employment for any reason prior to the 6-month anniversary of the Notice Date without the 90-day anniversary of the new CFO's start date having occurred, then I shall be entitled only to the Accrued Obligations and shall not be entitled to the Transition Compensation described above (or any other severance or termination payments or benefits); and,

6. Because I have tendered my resignation without request or suggestion by the Company and without Good Reason, I hereby acknowledge that I may not for any reason hereafter terminate my employment as CFO or as provided through the Transition Period for Good Reason, and I hereby permanently waive and relinquish any rights or eligibility to terminate such employment

with the Company for Good Reason (and without limiting the foregoing, I further acknowledge and agree that any changes to my title, duties, authority, responsibilities or otherwise associated with the hiring of a new CFO shall not constitute Good Reason)

Please acknowledge our mutual agreement with the Transition Period Terms by signing below.

Sincerely,

/s/ Adeel Khan

Adeel Khan, Chief Financial Officer

Acceptance of Resignation and Agreement to the Transition Period Terms on Behalf of the Company:

Rexford Industrial Realty, Inc.

By: /s/ Michael S. Frankel

Michael S. Frankel
Co-Chief Executive Officer

By: /s/ Howard Schwimmer

Howard Schwimmer
Co-Chief Executive Officer

Exhibit 31.1

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

I, Michael S. Frankel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rexford Industrial Realty, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2020

By: /s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer

Exhibit 31.2

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

I, Howard Schwimmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rexford Industrial Realty, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2020

By: /s/ Howard Schwimmer

Howard Schwimmer

Co-Chief Executive Officer

Exhibit 31.3

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

I, Adeel Khan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rexford Industrial Realty, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

May 4, 2020

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 March 31, 2020 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
May 4, 2020

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 March 31, 2020 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
May 4, 2020

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 March 31, 2020 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
May 4, 2020

Exhibit 99.1

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our election to be taxed as a real estate investment trust ("REIT") and the acquisition, ownership and disposition of our capital stock. Supplemental U.S. federal income tax considerations relevant to the ownership of certain securities offered by this prospectus may be provided in the prospectus supplement that relates to those securities. For purposes of this discussion, references to "we," "our" and "us" mean only Rexford Industrial Realty, Inc. and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended (the "Code");
- current, temporary and proposed Treasury regulations promulgated under the Code (the "Treasury Regulations");
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service (the "IRS"); and
- court decisions;

in each case, as of the date of this prospectus. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and holders of its capital stock. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof. Potential tax reforms may result in significant changes to the rules governing U.S. federal income taxation. New legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may significantly and adversely affect our ability to qualify as a REIT, the U.S. federal income tax consequences of such qualification, or the U.S. federal income tax consequences of an investment in us, including those described in this discussion. Moreover, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT. Any such changes could apply retroactively to transactions preceding the date of the change. We have not requested and do not intend to request any rulings from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences, or any tax consequences arising under any U.S. federal tax laws other than U.S. federal income tax laws, associated with the acquisition, ownership or disposition of our capital stock or our election to be taxed as a REIT.

You are urged to consult your tax advisor regarding the tax consequences to you of:

- the acquisition, ownership and sale or other disposition of our capital stock, including the U.S. federal, state, local, non-U.S. and other tax consequences;
- our election to be taxed as a REIT for U.S. federal income tax purposes; and
- potential changes in applicable tax laws.

Taxation of Our Company

General

We elected to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2013. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized and have operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See "—Failure to Qualify" for potential tax consequences if we fail to qualify as a REIT.

Latham & Watkins LLP has acted as our tax counsel in connection with our filing this prospectus on February 19, 2019 and our election to be taxed as a REIT. Latham & Watkins LLP has rendered an opinion to us, as of February 19, 2019 to the effect that, commencing with our taxable year ended December 31, 2013, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and our current and proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion was based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one or more of our officers. In addition, this opinion was based upon our factual representations set forth in this prospectus. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins LLP. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year have satisfied or will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment described herein may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Latham & Watkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay U.S. federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay U.S. federal income tax as follows:

- First, we will be required to pay regular U.S. federal corporate income tax on any undistributed REIT taxable income, including undistributed capital gain.

- Second, if we have (1) net income from the sale or other disposition of "foreclosure property" held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay regular U.S. federal corporate income tax on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.

- Third, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business.

- Fourth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.

- Fifth, if we fail to satisfy any of the asset tests (other than a de minimis failure of the 5% or 10% asset tests), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.

- Sixth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

- Seventh, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

- Eighth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on which we acquired the asset, and we subsequently recognize gain on the disposition of the asset during the five-year period beginning on the date on which we acquired the asset, then we generally will be required to pay regular U.S. federal corporate income tax on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted tax basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. Under applicable Treasury Regulations, any gain from the sale of property we acquired in an exchange under Section 1031 (a like-kind exchange) or Section 1033 (an involuntary conversion) of the Code generally is excluded from the application of this built-in gains tax. See "—Tax Liabilities and Attributes Inherited in Connection with Acquisitions."

- Ninth, our subsidiaries that are C corporations, including our "taxable REIT subsidiaries" described below, generally will be required to pay U.S. federal corporate income tax on their earnings.

- Tenth, we will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions," "excess interest" or "redetermined TRS service income," as described below under "—Income Tests-Penalty Tax." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Redetermined TRS service income generally represents income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf.

- Eleventh, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the tax basis of the stockholder in our capital stock.

- Twelfth, if we fail to comply with the requirement to send annual letters to our stockholders holding at least a certain percentage of our stock, as determined by Treasury Regulations, requesting information regarding the actual ownership of our stock, and the failure is not due to reasonable cause or is due to willful neglect, we will be subject to a $25,000 penalty, or if the failure is intentional, a $50,000 penalty.

We and our subsidiaries may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state and local income, property and other taxes on our assets and operations.

Requirements for Qualification as a REIT

The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

(5) that is beneficially owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year; and

(7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term “individual” includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized and have operated in a manner that has allowed us, and will continue to allow us, to satisfy conditions (1) through (7), inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. A description of the share ownership and transfer restrictions relating to our stock is contained in the discussion in this prospectus under the heading “Restrictions on Ownership and Transfer.” These restrictions, however, do not ensure that we have previously satisfied, and may not ensure that we will, in all cases, be able to continue to satisfy, the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See “—Failure to Qualify.”

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We have and will continue to have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries

In the case of a REIT that is a partner in a partnership (for purposes of this discussion, references to “partnership” include a limited liability company treated as a partnership for U.S. federal income tax purposes, and references to “partner” include a member in such a limited liability company), Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership’s share of these items of any partnership or disregarded entity for U.S. federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the U.S. federal income taxation of partnerships is set forth below in “—Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies.”

We have control of our operating partnership and its subsidiary partnerships and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through wholly-owned subsidiaries that we intend to be treated as “qualified REIT subsidiaries” under the Code. A corporation (or other entity treated as a corporation for U.S. federal income tax purposes) will qualify as our qualified REIT subsidiary if we own 100% of the corporation’s outstanding stock and do not elect with the subsidiary to treat it as a “taxable REIT subsidiary,” as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the U.S. federal income tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to U.S. federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under “—Asset Tests.”

Ownership of Interests in Subsidiary REITs

From April 2016 through the end of December 2017, we owned an indirect interest in REXR REIT, Inc. (“REXR REIT”), which had elected to be taxed as a REIT under Sections 856 through 860 of the Code. Provided that REXR REIT qualified as a REIT during the time we owned REXR REIT, our interest in REXR REIT during such time would be treated as a qualifying real estate asset for purposes of the asset tests and any dividend income or gains derived by us from REXR REIT during such time would generally be treated as income that qualifies for purposes of the gross income tests. To qualify as a REIT during such time, REXR REIT must have independently satisfied the various REIT qualification requirements described in this summary. If REXR REIT failed to qualify as a REIT, and certain relief provisions did not apply, it would have been treated as a regular taxable corporation and its income would have been subject to United States federal corporate income tax. In addition, a failure of REXR REIT to have qualified as a REIT would have had an adverse effect on our ability to comply with the gross income and asset tests, and thus our ability to qualify as a REIT. We believe that REXR REIT qualified as a REIT under the Code at all times during which we owned its stock.

Ownership of Interests in Taxable REIT Subsidiaries

We currently own an interest in one taxable REIT subsidiary and we may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than certain activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to U.S. federal income tax as a regular C corporation. A REIT’s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. See “--Asset Tests.” For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. For any taxable year beginning in 2019 or 2020, the 30% limitation was increased to a 50% limitation, provided that for partnerships the 50% limitation applies for any taxable year beginning in 2020 only. Taxpayers may elect to use their 2019 adjusted taxable income for purposes of computing their 2020 limitation. See “—Annual Distribution Requirements.” While not certain, this provision may limit the ability of our taxable REIT subsidiaries to deduct interest, which could increase their taxable income.

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from investments relating to real property or mortgages on real property, including “rents from real property,” dividends from other REITs and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. For these purposes, the term “interest” generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term “interest” solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents we receive from a tenant will qualify as “rents from real property” for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- The amount of rent is not based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term “rents from real property” solely because it is based on a fixed percentage or percentages of receipts or sales;

- Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of “rents from real property” as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a “controlled taxable REIT subsidiary” is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as “rents from real property.” For purposes of this rule, a “controlled taxable REIT subsidiary” is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as “rents from real property.” To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary; and

- We generally may not operate or manage the property or furnish or render services to our tenants, subject to a 1% de minimis exception and except as provided below. We may, however, perform services that are “usually or customarily rendered” in connection with the rental of space for occupancy only and are not otherwise considered “rendered to the occupant” of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services to our tenants, or a taxable REIT subsidiary (which may be wholly or partially owned by us) to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as “rents from real property.”

We generally do not intend, and as the general partner of our operating partnership, do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. In addition, with respect to the limitation on the rental of personal property, we generally have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real property for purposes of the gross income tests if certain services provided with respect to the parking spaces are performed by independent contractors from whom we derive no revenue, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we receive that is attributable to parking spaces will meet these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income under, and thus will be exempt from, the 75% and 95% gross income tests. The term “hedging transaction,” as used above, generally means (A) any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test or any property which generates such income and (B) new transactions entered into to hedge the income or loss from prior hedging transactions, where the property or indebtedness which was the subject of the prior hedging transaction was extinguished or disposed of. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends or interest, we generally will derive our allocable share of such dividend or interest income through our interest in our operating partnership. Such dividend or interest income will qualify under the 95%, but not the 75%, gross income test (except that our allocable share of such interest would also qualify under the 75% gross income test to the extent the interest is paid on a loan that is adequately secured by real property).

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and

- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. See “—Failure to Qualify” below. As discussed above in “—General,” even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

Prohibited Transaction Income

Any gain that we realize on the sale of property (other than any foreclosure property) held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. As the general partner of our operating partnership, we intend to cause our operating partnership to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our investment objectives. We do not intend, and do not intend to permit our operating partnership or its subsidiary partnerships, to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales. The 100% penalty tax will not apply to gains from the sale of assets that are held through a taxable REIT subsidiary, but such income will be subject to regular U.S. federal corporate income tax.

Penalty Tax

Any redetermined rents, redetermined deductions, excess interest or redetermined TRS service income we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations, and redetermined TRS service income is income of a taxable REIT subsidiary that is understated as a result of services provided to us or on our behalf. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

Currently, our taxable REIT subsidiary does not provide any services to our tenants or conduct other material activities. However, a taxable REIT subsidiary of ours may in the future provide services to certain of our tenants and pay rent to us. We intend to set any fees paid to our taxable REIT subsidiaries for such services, and any rent payable to us by our taxable REIT subsidiaries, at arm's length rates, although the amounts paid may not satisfy the safe harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on any overstated rents paid to us, or any excess deductions or understated income of our taxable REIT subsidiaries.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy certain tests relating to the nature and diversification of our assets.

- First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and U.S. government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property or on both real property and, to a limited extent, personal property), shares (or transferable certificates of beneficial interest) in other REITs, any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years (but only for the one-year period beginning on the date the REIT receives such proceeds), debt instruments of publicly offered REITs, and personal property leased in connection with a lease of real property for which the rent attributable to personal property is not greater than 15% of the total rent received under the lease.

- Second, not more than 25% of the value of our total assets may be represented by securities (including securities of taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

- Third, of the investments included in the 25% asset class, and except for certain investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, securities satisfying the "straight debt" safe harbor, securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership in which we own an interest will be based on our proportionate interest in any securities issued by the partnership, excluding for this purpose certain securities described in the Code. From time to time we may own securities (including debt securities) of issuers that do not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary. We intend that our ownership of any such securities will be structured in a manner that allows us to comply with the asset tests described above.

- Fourth, not more than 20% (25% for taxable years beginning before January 1, 2018) of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. Our operating partnership owns 100% of the securities of a corporation that has elected, together with us, to be treated as our taxable REIT subsidiary. So long as this corporation qualifies as our taxable REIT subsidiary, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to our ownership of its securities. We may acquire securities in other taxable REIT subsidiaries in the future. We believe that the aggregate value of our taxable REIT subsidiaries has not exceeded, and in the future will not exceed, 20% (25% for taxable years beginning before January 1, 2018) of the aggregate value of our gross assets. We generally do not obtain independent appraisals to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

- Fifth, not more than 25% of the value of our total assets may be represented by debt instruments of publicly offered REITs to the extent those debt instruments would not be real estate assets but for the inclusion of debt instruments of publicly offered REITs in the meaning of real estate assets, as described above (e.g. a debt instrument issued by a publicly offered REIT that is not secured by a mortgage on real property).

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through any partnership or qualified REIT subsidiary) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of an increase in our interest in any partnership that owns such securities). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise any redemption/exchange rights. Also, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in any partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained, and we intend to maintain, adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30-day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the U.S. federal corporate income tax rate multiplied by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership's overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

- 90% of our REIT taxable income; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our REIT taxable income.

For these purposes, our "REIT taxable income" is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income generally means income attributable to leveled stepped rents, original issue discount, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, our REIT taxable income will be reduced by any taxes we are required to pay on any gain we recognize from the disposition of any asset we acquired from a corporation that is or has been a C corporation in a transaction in which our tax basis in the asset is less than the fair market value of the asset, in each case determined as of the date on which we acquired the asset, within the five-year period following our acquisition of such asset, as described above under "—General."

For taxable years beginning after December 31, 2017, taxpayers are subject to a limitation on their ability to deduct net business interest generally equal to 30% of adjusted taxable income, subject to certain exceptions. For any taxable year beginning in 2019 or 2020, the 30% limitation was increased to a 50% limitation, provided that for partnerships the 50% limitation applies for any taxable year beginning in 2020 only. Taxpayers may elect to use their 2019 adjusted taxable income for purposes of computing their 2020 limitation. Any business interest deduction that is disallowed due to this limitation may be carried forward to future taxable years, subject to special rules applicable to partnerships. If we or any of our subsidiary partnerships (including our operating partnership) are subject to this interest expense limitation, our REIT taxable income for a taxable year may be increased. Taxpayers that conduct certain real estate businesses may elect not to have this interest expense limitation apply to them, provided that they use an alternative depreciation system to depreciate certain property. We believe that we or any of our subsidiary partnerships that are subject to this interest expense limitation will be eligible to make this election. If such election is made, although we or such subsidiary partnership, as applicable, would not be subject to the interest expense limitation described above, depreciation deductions may be reduced and, as a result, our REIT taxable income for a taxable year may be increased.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which they are paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, except as provided below, the amount distributed must not be preferential—i.e., every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. In taxable years beginning after December 31, 2014, this preferential dividend limitation will not apply to distributions made by us, provided we qualify as a "publicly offered REIT." We believe that we are, and expect we will continue to be, a publicly offered REIT. However, Subsidiary REITs we may own from time to time may not be publicly offered REITs. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be required to pay regular U.S. federal corporate income tax on the undistributed amount. We believe that we have made, and we intend to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as the general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock distributions in order to meet the distribution requirements, while preserving our cash.

Under certain circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In that case, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends. While the payment of a deficiency dividend will apply to a prior year for purposes of our REIT distribution requirements, it will be treated as an additional distribution to our stockholders in the year such dividend is paid.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which U.S. federal corporate income tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating this excise tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges

We may dispose of real property that is not held primarily for sale in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, or deficiency dividends, depending on the facts and circumstances surrounding the particular transaction.

Tax Liabilities and Attributes Inherited in Connection with Acquisitions

From time to time, we or our operating partnership may acquire other corporations or entities and, in connection with such acquisitions, we may succeed to the historical tax attributes and liabilities of such entities. For example, if we acquire a C corporation and subsequently dispose of its assets within five years of the acquisition, we could be required to pay the built-in gain tax described above under "—General." In addition, in order to qualify as a REIT, at the end of any taxable year, we must not have any earnings and profits accumulated in a non-REIT year. As a result, if we acquire a C corporation, we must distribute the corporation's earnings and profits accumulated prior to the acquisition before the end of the taxable year in which we acquire the corporation. We also could be required to pay the acquired entity's unpaid taxes even though such liabilities arose prior to the time we acquired the entity.

Moreover, we may from time to time acquire other REITs through a merger or acquisition. If any such REIT failed to qualify as a REIT for any of its taxable years, such REIT would be liable for (and we, as the surviving corporation in the merger or acquisition, would be obligated to pay) regular U.S. federal corporate income tax on its taxable income for such taxable years. In addition, if such REIT was a C corporation at the time of the merger or acquisition, the tax consequences described in the preceding paragraph generally would apply. If such REIT failed to qualify as a REIT for any of its taxable years, but qualified as a REIT at the time of such merger or acquisition, and we acquired such REIT's assets in a transaction in which our tax basis in the assets of such REIT is determined, in whole or in part, by reference to such REIT's tax basis in such assets, we generally would be subject to tax on the built-in gain on each asset of such REIT as described above if we were to dispose of the asset in a taxable transaction during the five-year period following such REIT's requalification as a REIT, subject to certain exceptions. Moreover, even if such REIT qualified as a REIT at all relevant times, we would similarly be liable for other unpaid taxes (if any) of such REIT (such as the 100% tax on gains from any sales treated as "prohibited transactions" as described above under "—Prohibited Transaction Income").

Furthermore, after our acquisition of another corporation or entity, the asset and income tests will apply to all of our assets, including the assets we acquire from such corporation or entity, and to all of our income, including the income derived from the assets we acquire from such corporation or entity. As a result, the nature of the assets that we acquire from such corporation or entity and the income we derive from those assets may have an effect on our tax status as a REIT.

Failure to Qualify

If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay regular U.S. federal corporate income tax, including any applicable alternative minimum tax for taxable years beginning before January 1, 2018, on our taxable income. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, we will not be required to distribute any amounts to our stockholders and all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate stockholders may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. Non-corporate stockholders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 for purposes of determining their U.S. federal income tax (but not for purposes of the 3.8% Medicare tax), subject to certain limitations. If we fail to qualify as a REIT, such stockholders may not claim this deduction with respect to dividends paid by us. Unless entitled to relief under specific statutory provisions, we would also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies

General

All of our investments are held indirectly through our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe are and will continue to be treated as disregarded entities or partnerships for U.S. federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for U.S. federal income tax purposes are “pass-through” entities which are not required to pay U.S. federal income tax. Rather, partners of such partnerships are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership. We will include in our income our share of these partnership items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of the assets of its subsidiary partnerships, based on our capital interests in each such entity. See “—Taxation of Our Company-Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries.” A disregarded entity is not treated as a separate entity for U.S. federal income tax purposes, and all assets, liabilities and items of income, gain, loss, deduction and credit of a disregarded entity are treated as assets, liabilities and items of income, gain, loss, deduction and credit of its parent that is not a disregarded entity (e.g., our operating partnership) for all purposes under the Code, including all REIT qualification tests."

Entity Classification

Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as disregarded entities or partnerships for U.S. federal income tax purposes. For example, an entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. Interests in a partnership are not treated as readily tradable on a secondary market, or the substantial equivalent thereof, if the partnership satisfies one or more safe harbors set forth in Treasury Regulations under the Code. One such safe harbor relates to the amount of trading of interests in the partnership. Interests in a partnership would not be viewed as readily tradable on a secondary market or the substantial equivalent thereof if the sum of the percentage interests in capital or profits of the partnership transferred during any taxable year of the partnership does not exceed 2% of the total interests in the partnership's capital or profits, subject to certain exceptions. For purpose of this 2% trading safe harbor, our interests in our operating partnership are excluded from the determination of the percentage interests in capital or profits of our operating partnership. In addition, this 2% trading safe harbor does not apply to transfers by a limited partner in one or more transactions during any 30-day period representing in the aggregate more than 2% of the total interests in our operating partnership's capital or profits. We, as the general partner of our operating partnership, have the authority to take any steps we determine to prevent any trading of interests in our operating partnership that would cause our operating partnership to become a publicly traded partnership, including any steps necessary to ensure compliance with this 2% trading safe harbor. While we expect to satisfy this 2% trading safe harbor for certain of our taxable years, we have not satisfied this safe harbor (or any other safe harbor) for all of our prior years, and may fail to satisfy it (and the other safe harbors) in the future.

If our operating partnership or any of our other partnerships were to be treated as a publicly traded partnership, it would be taxable as a corporation unless it qualified for the statutory "90% qualifying income exception." Under that exception, a publicly traded partnership is not subject to corporate-level tax if 90% or more of its gross income consists of dividends, interest, "rents from real property" (as that term is defined for purposes of the rules applicable to REITs, with certain modifications), gain from the sale or other disposition of real property, and certain other types of qualifying income. We believe our operating partnership has satisfied the 90% qualifying income exception in every taxable year, and expect it to continue to satisfy that exception in the future. However, if our operating partnership (or to the extent applicable any of our other partnerships) did not qualify for this exception or was otherwise taxable as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See "—Taxation of Our Company-Asset Tests" and "—Income Tests." This, in turn, could prevent us from qualifying as a REIT. See "—Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary treated as a partnership or disregarded entity to a corporation might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment.

We believe our operating partnership and each of our other partnerships and limited liability companies will be classified as partnerships or disregarded entities for federal income tax purposes, and we do not anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership that is taxable as a corporation.

Allocations of Income, Gain, Loss and Deduction

A partnership agreement (or, in the case of a limited liability company treated as a partnership for U.S. federal income tax purposes, the limited liability company agreement) generally will determine the allocation of income and loss among partners. These allocations, however, will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury Regulations thereunder. Generally, Section 704(b) of the Code and the Treasury Regulations thereunder require that partnership allocations respect the economic arrangement of the partners. If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The allocations of taxable income and loss of our operating partnership and any subsidiaries that are treated as partnerships for U.S. federal income tax purposes are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties

Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution (this difference is referred to as a book-tax difference), as adjusted from time to time. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally will carry over to our operating partnership, notwithstanding their different book (*i.e.*, fair market) value. The partnership agreement requires that, if our operating partnership is treated as a partnership for U.S. federal income tax purposes, income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (2) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (2) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See " —Taxation of Our Company-General-Requirements for Qualification as a REIT" and "—Annual Distribution Requirements."

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

Partnership Audit Rules

The Bipartisan Budget Act of 2015 changed the rules applicable to U.S. federal income tax audits of partnerships. Under the new rules (which are generally effective for taxable years beginning after December 31, 2017), among other changes and subject to certain exceptions, any audit adjustment to items of income, gain, loss, deduction, or credit of a partnership (and any partner's distributive share thereof) is determined, and taxes, interest, or penalties attributable thereto are assessed and collected, at the partnership level. Although it remains uncertain how certain aspects of these new rules will be implemented, it is possible that they could result in partnerships in which we directly or indirectly invest, including our operating partnership, being required to pay additional taxes, interest and penalties as a result of an audit adjustment, and we, as a direct or indirect partner of these partnerships, could be required to bear the economic burden of those taxes, interest, and penalties even though we, as a REIT, may not otherwise have been required to pay additional corporate-level taxes as a result of the related audit adjustment. Investors are urged to consult their tax advisors with respect to these changes and their potential impact on their investment in our capital stock.

Material U.S. Federal Income Tax Consequences to Holders of Our Capital Stock

The following discussion is a summary of the material U.S. federal income tax consequences to you of purchasing, owning and disposing of our capital stock. This discussion is limited to holders who hold our capital stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances. In addition, except where specifically noted, it does not address consequences relevant to holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- U.S. holders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding our capital stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- REITs or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- S corporations, partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;

- persons subject to special tax accounting rules as a result of any item of gross income with respect to our capital stock being taken into account in an applicable financial statement;
- persons deemed to sell our capital stock under the constructive sale provisions of the Code; and
- persons who hold or receive our capital stock pursuant to the exercise of any employee stock option or otherwise as compensation.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR CAPITAL STOCK ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of our capital stock that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our capital stock that is neither a U.S. holder nor an entity treated as a partnership for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds our capital stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our capital stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

Taxation of Taxable U.S. Holders of Our Capital Stock

Distributions Generally

Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax, as discussed below, will be taxable to our taxable U.S. holders as ordinary income when actually or constructively received. See "—Tax Rates" below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations or, except to the extent described in "—Tax Rates" below, the preferential rates on qualified dividend income applicable to non-corporate U.S. holders, including individuals. For purposes of determining whether distributions to holders of our capital stock are out of our current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred stock, if any, and then to our outstanding common stock.

To the extent that we make distributions on a class of our capital stock in excess of our current and accumulated earnings and profits allocable to such stock, these distributions will be treated first as a tax-free return of capital to a U.S. holder to the extent of the U.S. holder's adjusted tax basis in such shares of stock. This treatment will reduce the U.S. holder's adjusted tax basis in such shares of stock by such amount, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. holder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a holder of record on a specified date in any of these months will be treated as both paid by us and received by the holder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of our net operating losses or capital losses.

U.S. holders that receive taxable stock distributions, including distributions partially payable in our capital stock and partially payable in cash, would be required to include the full amount of the distribution (*i.e.*, the cash and the stock portion) as a dividend (subject to limited exceptions) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes, as described above. The amount of any distribution payable in our capital stock generally is equal to the amount of cash that could have been received instead of the capital stock. Depending on the circumstances of a U.S. holder, the tax on the distribution may exceed the amount of the distribution received in cash, in which case such U.S. holder would have to pay the tax using cash from other sources. If a U.S. holder sells the capital stock it received in connection with a taxable stock distribution in order to pay this tax and the proceeds of such sale are less than the amount required to be included in income with respect to the stock portion of the distribution, such U.S. holder could have a capital loss with respect to the stock sale that could not be used to offset such income. A U.S. holder that receives capital stock pursuant to such distribution generally has a tax basis in such capital stock equal to the amount of cash that could have been received instead of such capital stock as described above, and has a holding period in such common stock that begins on the day immediately following the payment date for the distribution.

Capital Gain Dividends

Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. holders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year, and may not exceed our dividends paid for the taxable year, including dividends paid the following year that are treated as paid in the current year. U.S. holders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. If we properly designate any portion of a dividend as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our capital stock for the year to the holders of each class of our capital stock in proportion to the amount that our total dividends, as determined for U.S. federal income tax purposes, paid or made available to the holders of each such class of our capital stock for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of all classes of our capital stock for the year. In addition, except as otherwise required by law, we will make a similar allocation with respect to any undistributed long-term capital gains which are to be included in our stockholders' long-term capital gains, based on the allocation of the capital gain amount which would have resulted if those undistributed long-term capital gains had been distributed as "capital gain dividends" by us to our stockholders.

Retention of Net Capital Gains

We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for U.S. federal income tax purposes) would be adjusted accordingly, and a U.S. holder generally would:

- include its pro rata share of our undistributed capital gain in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;
- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. holder's income as long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;
- increase the adjusted tax basis of its capital stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and
- in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations

Distributions we make and gain arising from the sale or exchange by a U.S. holder of our capital stock will not be treated as passive activity income. As a result, U.S. holders generally will not be able to apply any "passive losses" against this income or gain. A U.S. holder generally may elect to treat capital gain dividends, capital gains from the disposition of our capital stock and income designated as qualified dividend income, described in "—Tax Rates" below, as investment income for purposes of computing the investment interest limitation, but in such case, the holder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Our Capital Stock

Except as described below under "—Redemption or Repurchase by Us," if a U.S. holder sells or disposes of shares of our capital stock, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted tax basis in the shares. This gain or loss, except as provided below, will be long-term capital gain or loss if the holder has held such capital stock for more than one year. However, if a U.S. holder recognizes a loss upon the sale or other disposition of capital stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from us which were required to be treated as long-term capital gains.

Redemption or Repurchase by Us

A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits as described above under "—Distributions Generally") unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. The redemption or repurchase generally will be treated as a sale or exchange if it:

- is “substantially disproportionate” with respect to the U.S. holder;
- results in a “complete redemption” of the U.S. holder’s stock interest in us; or
- is “not essentially equivalent to a dividend” with respect to the U.S. holder, all within the meaning of Section 302(b) of the Code.

In determining whether any of these tests has been met, shares of our capital stock, including common stock and other equity interests in us, considered to be owned by the U.S. holder by reason of certain constructive ownership rules set forth in the Code, as well as shares of our capital stock actually owned by the U.S. holder, generally must be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to the U.S. holder depends upon the facts and circumstances at the time that the determination must be made, U.S. holders are advised to consult their tax advisors to determine such tax treatment.

If a redemption or repurchase of shares of our capital stock is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See “—Distributions Generally.” A U.S. holder’s adjusted tax basis in the redeemed or repurchased shares generally will be transferred to the holder’s remaining shares of our capital stock, if any. If a U.S. holder owns no other shares of our capital stock, under certain circumstances, such basis may be transferred to a related person or it may be lost entirely. Prospective investors should consult their tax advisors regarding the U.S. federal income tax consequences of a redemption or repurchase of our capital stock.

If a redemption or repurchase of shares of our capital stock is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described under “—Dispositions of Our Capital Stock.”

Taxation of Tax-Exempt Holders of Our Capital Stock

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income (“UBTI”), to a tax-exempt holder, except as described below. This income or gain will be UBTI, however, to the extent a tax-exempt holder holds its shares as “debt-financed property” within the meaning of the Code. Generally, “debt-financed property” is property the acquisition or holding of which was financed through a borrowing by the tax-exempt holder.

For tax-exempt holders that are social clubs, voluntary employee benefit associations, or supplemental unemployment benefit trusts exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9) or (c)(17) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these “set aside” and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a “pension-held REIT” may be treated as UBTI as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a “pension-held REIT” if it is able to satisfy the “not closely held” requirement without relying on the “look-through” exception with respect to certain trusts or if such REIT is not “predominantly held” by “qualified trusts.” As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a “pension-held REIT,” and as a result, the tax treatment described above should be inapplicable to our holders. However, because our common stock is (and, we anticipate, will continue to be) publicly traded, we cannot guarantee that this will always be the case.

Taxation of Non-U.S. Holders of Our Capital Stock

The following discussion addresses the rules governing U.S. federal income taxation of the acquisition, ownership and disposition of our capital stock by non-U.S. holders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of U.S. federal income taxation and does not address other federal, state, local or non-U.S. tax consequences that may be relevant to a non-U.S. holder in light of its particular circumstances. We urge non-U.S. holders to consult their tax advisors to determine the impact of federal, state, local and non-U.S. income and other tax laws and any applicable tax treaty on the acquisition, ownership and disposition of shares of our capital stock, including any reporting requirements.

Distributions Generally

Distributions (including any taxable stock distributions) that are neither attributable to gains from sales or exchanges by us of United States real property interests (“USRPIs”), nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable). Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied for a non-U.S. holder to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business generally will not be subject to withholding but will be subject to U.S. federal income tax on a net basis at the regular graduated rates, in the same manner as dividends paid to U.S. holders are subject to U.S. federal income tax. Any such dividends received by a non-U.S. holder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting U.S. federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold U.S. federal income tax at the rate of 30% on any distributions made to a non-U.S. holder unless:

- a lower treaty rate applies and the non-U.S. holder furnishes an IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) evidencing eligibility for that reduced treaty rate; or

- the non-U.S. holder furnishes an IRS Form W-8ECI (or other applicable documentation) claiming that the distribution is income effectively connected with the non-U.S. holder’s trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. holder to the extent that such distributions do not exceed the adjusted tax basis of the stockholder's capital stock, but rather will reduce the adjusted tax basis of such stock. To the extent that such distributions exceed the non-U.S. holder's adjusted tax basis in such capital stock, they generally will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. However, such excess distributions may be treated as dividend income for certain non-U.S. holders. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of United States Real Property Interests

Distributions to a non-U.S. holder that we properly designate as capital gain dividends, other than those arising from the disposition of a USRPI, generally should not be subject to U.S. federal income taxation, unless:

- the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business (within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of such non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as "FIRPTA," distributions to a non-U.S. holder that are attributable to gain from sales or exchanges by us of USRPIs, whether or not designated as capital gain dividends, will cause the non-U.S. holder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. holders generally would be taxed at the regular graduated rates applicable to U.S. holders, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. We also will be required to withhold and to remit to the IRS 21% of any distribution to non-U.S. holders to the extent attributable to gain from sales or exchanges by us of USRPIs. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. holder that is a corporation. The amount withheld is creditable against the non-U.S. holder's U.S. federal income tax liability. However, any distribution with respect to any class of stock that is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 21% U.S. withholding tax described above, if the non-U.S. holder did not own more than 10% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions generally will be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends. In addition, distributions to certain non-U.S. publicly traded shareholders that meet certain record-keeping and other requirements ("qualified shareholders") are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, distributions to “qualified foreign pension funds” or entities all of the interests of which are held by “qualified foreign pension funds” are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

Retention of Net Capital Gains

Although the law is not clear on the matter, it appears that amounts we designate as retained net capital gains in respect of our capital stock should be treated with respect to non-U.S. holders as actual distributions of capital gain dividends. Under this approach, the non-U.S. holders may be able to offset as a credit against their U.S. federal income tax liability their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual U.S. federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, non-U.S. holders should consult their tax advisors regarding the taxation of such retained net capital gain.

Sale of Our Capital Stock

Except as described below under “—Redemption or Repurchase by Us,” gain recognized by a non-U.S. holder upon the sale, exchange or other taxable disposition of our capital stock generally will not be subject to U.S. federal income tax unless such stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a United States real property holding corporation (“USRPHC”), will constitute a USRPI. We believe that we are a USRPHC. Our capital stock will not, however, constitute a USRPI so long as we are a “domestically controlled qualified investment entity.” A “domestically controlled qualified investment entity” includes a REIT in which at all times during a five-year testing period less than 50% in value of its stock is held directly or indirectly by non-United States persons, subject to certain rules. For purposes of determining whether a REIT is a “domestically controlled qualified investment entity,” a person who at all applicable times holds less than 5% of a class of stock that is “regularly traded” is treated as a United States person unless the REIT has actual knowledge that such person is not a United States person. We believe, but cannot guarantee, that we are a “domestically controlled qualified investment entity.” Because our common stock is (and, we anticipate, will continue to be) publicly traded, no assurance can be given that we will continue to be a “domestically controlled qualified investment entity.”

Even if we do not qualify as a “domestically controlled qualified investment entity” at the time a non-U.S. holder sells our capital stock, gain realized from the sale or other taxable disposition by a non-U.S. holder of such class of stock would not be subject to U.S. federal income tax under FIRPTA as a sale of a USRPI if:

(1) such class of stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market such as the NYSE; and

(2) such non-U.S. holder owned, actually and constructively, 10% or less of such class of stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the non-U.S. holder’s holding period.

In addition, dispositions of our capital stock by qualified shareholders are exempt from FIRPTA, except to the extent owners of such qualified shareholders that are not also qualified shareholders own, actually or constructively, more than 10% of our capital stock. Furthermore, dispositions of our capital stock by “qualified foreign pension funds” or entities all of the interests of which are held by “qualified foreign pension funds" are exempt from FIRPTA. Non-U.S. holders should consult their tax advisors regarding the application of these rules.

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our capital stock not otherwise subject to FIRPTA will be taxable to a non-U.S. holder if either (1) the investment in our capital stock is treated as effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable), in which case the non-U.S. holder will be subject to the same treatment as U.S. holders with respect to such gain, except that a non-U.S. holder that is a corporation may also be subject to the 30% branch profits tax (or such lower rate as may be specified by an applicable income tax treaty) on such gain, as adjusted for certain items, or (2) the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the non-U.S. holder's capital gains (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States), provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our capital stock, a non-U.S. holder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. holder (1) disposes of such stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1), unless such stock is "regularly traded" and the non-U.S. holder did not own more than 10% of the stock at any time during the one-year period ending on the date of the distribution described in clause (1).

If gain on the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, the non-U.S. holder would be required to file a U.S. federal income tax return and would be subject to regular U.S. federal income tax with respect to such gain in the same manner as a taxable U.S. holder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our capital stock were subject to taxation under FIRPTA, and if shares of the applicable class of our capital stock were not "regularly traded" on an established securities market, the purchaser of such capital stock generally would be required to withhold and remit to the IRS 15% of the purchase price.

Redemption or Repurchase by Us

A redemption or repurchase of shares of our capital stock will be treated under Section 302 of the Code as a distribution (and taxable as a dividend to the extent of our current and accumulated earnings and profits) unless the redemption or repurchase satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed or repurchased shares. See "—Taxation of Taxable U.S. Holders of Our Capital Stock-Redemption or Repurchase by Us." Qualified shareholders and their owners may be subject to different rules, and should consult their tax advisors regarding the application of such rules. If the redemption or repurchase of shares is treated as a distribution, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received. See "—Taxation of Non-U.S. Holders of Our Capital Stock-Distributions Generally." If the redemption or repurchase of shares is not treated as a distribution, it will be treated as a taxable sale or exchange in the manner described under "—Taxation of Non-U.S. Holders of Our Capital Stock-Sale of Our Capital Stock."

Information Reporting and Backup Withholding

U.S. Holders

A U.S. holder may be subject to information reporting and backup withholding when such holder receives payments on our capital stock or proceeds from the sale or other taxable disposition of such stock. Certain U.S. holders are exempt from backup withholding, including corporations and certain tax-exempt organizations. A U.S. holder will be subject to backup withholding if such holder is not otherwise exempt and:

- the holder fails to furnish the holder’s taxpayer identification number, which for an individual is ordinarily his or her social security number;
- the holder furnishes an incorrect taxpayer identification number;
- the applicable withholding agent is notified by the IRS that the holder previously failed to properly report payments of interest or dividends; or
- the holder fails to certify under penalties of perjury that the holder has furnished a correct taxpayer identification number and that the IRS has not notified the holder that the holder is subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder’s U.S. federal income tax liability, provided the required information is timely furnished to the IRS. U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Non-U.S. Holders

Payments of dividends on our capital stock generally will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our capital stock paid to the non-U.S. holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of such stock within the United States or conducted through certain U.S. related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of such stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder’s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Tax Rates

The maximum tax rate for non-corporate taxpayers for (1) long-term capital gains, including certain “capital gain dividends,” is generally 20% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) “qualified dividend income” generally is 20%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT’s dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year). Capital gain dividends will only be eligible for the rates described above to the extent that they are properly designated by the REIT as “capital gain dividends.” U.S. holders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income. In addition, non-corporate U.S. holders, including individuals, generally may deduct 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026 (but not for purposes of the 3.8% Medicare tax), subject to certain limitations.

Medicare Contribution Tax on Unearned Income

Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on stock and capital gains from the sale or other disposition of stock. U.S. holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of our capital stock.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such sections commonly referred to as the Foreign Account Tax Compliance Act (“FATCA”) on certain types of payments made to “non-U.S. financial institutions” and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, and (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our capital stock in each case paid to a “foreign financial institution” or to a “non-financial foreign entity” (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any “substantial United States owners” (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain “specified United States persons” or “United States owned foreign entities” (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our capital stock. While withholding under FATCA would have applied also to payments of gross proceeds from the sale or other disposition of such stock on or after January 1, 2019, proposed Treasury Regulations eliminate FATCA withholding on payments of gross proceeds entirely. Taxpayers generally may rely on these proposed Treasury Regulations until final Treasury Regulations are issued. Because we may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules we may treat the entire distribution as a dividend. Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our capital stock.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction, or any U.S. federal tax other than the income tax. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our capital stock.