

Rexford Industrial Realty, Inc.
Form 10-K
February 21, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

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

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

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

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

11620 Wilshire Boulevard, Suite 1000, 90025
Los Angeles, California
(Address of principal executive offices) (Zip Code)
(310) 966-1680
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value	New York Stock Exchange
5.875% Series A Cumulative Redeemable Preferred Stock	New York Stock Exchange
5.875% Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the 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 (Do not check if a smaller reporting company) 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 aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing sale price of the registrant's common stock on June 30, 2017, as reported on the New York Stock Exchange ("NYSE") was approximately \$1,938 million. The registrant had no non-voting common equity outstanding on such date. This amount excludes 496,642 shares of the registrant's common stock held by the executive officers and directors. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

The number of shares of common stock outstanding at February 14, 2018 was 78,490,192.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement with respect to its 2018 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the registrant's fiscal year are incorporated by reference into Part III of this Form 10-K.

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PART I

Forward-Looking Statements

We make statements in this Annual Report on Form 10-K that are forward-looking statements, which are usually identified by the use of words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “potential,” “possible,” “predicts,” “projects,” “result,” “seeks,” “should,” “will,” and variations of such words or similar expressions.

Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

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

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the U.S. federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should review carefully our financial statements and the notes thereto, as well as Item 1A, entitled “Risk Factors” in this report.

Item 1. Business

Company Overview

References to “we,” “our,” “us,” “our company,” or “the Company” refer to Rexford Industrial Realty, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Rexford Industrial Realty, L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this report as our Operating Partnership. We are a self-administered and self-managed full-service REIT focused on owning, operating and acquiring industrial properties in Southern California infill markets. Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. As of December 31, 2017, our consolidated portfolio consisted of 151 properties with approximately 18.5 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our taxable year ending December 31, 2013. We are generally 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.

Business Objectives and Growth Strategies

Our primary business objective is to generate attractive risk-adjusted returns for our stockholders through dividends and capital appreciation. We believe that pursuing the following strategies will enable us to achieve this objective:

Internal Growth through Intensive, Value-Add Asset Management.

We employ an intensive asset management strategy that is designed to increase cash flow and occupancy from our properties. Our strategy includes proactive renewal of existing tenants, re-tenanting to achieve higher rents, and repositioning industrial property by renovating, modernizing or increasing functionality to increase cash flow and value. For example, we sometimes convert formerly single-tenant properties to multi-tenant occupancy to capitalize upon the higher per square foot rents generated by smaller spaces in our target markets in addition to adding or improving loading and increasing fire, life-safety and building operating systems, among other value-add initiatives. We believe that by undertaking such conversions or other functional enhancements, we can position our properties to attract a larger universe of potential tenants, increase occupancy, tenant quality and rental rates. We also believe that multi-tenant properties, as well as single mid-size buildings, help to limit our exposure to tenant default risk and to diversify our sources of cash flow. Additionally, our proactive approach to leasing and asset management is driven by our in-house leasing department and team of portfolio and property managers who maintain direct, day-to-day relationships and dialogue with our tenants, which we believe enhances recurring cash flow and reduces periods of vacancy.

External Growth through Acquisitions.

We continue to grow our portfolio through disciplined acquisitions in prime Southern California infill markets. We believe that our relationship-, data- and event-driven research allows us to identify and exploit asset mispricing and market inefficiencies. We seek to acquire assets with value-add opportunities to increase their cash flow and asset values, often targeting off-market or lightly marketed transactions where our execution abilities and market credibility encourage owners to sell assets to us at what we consider pricing that is more favorable than heavily marketed transactions. We also seek to source transactions from owners with generational ownership shift, fund divestment, sale-leaseback/corporate surplus, maturing loans, some facing liquidity needs or financial stress, including loans that lack economical refinancing options. We also believe our deep market presence and relationships may enable us to selectively acquire assets in marketed transactions that may be difficult to access for less focused buyers.

Competitive Strengths

We believe that our investment strategy and operating model distinguishes us from other owners, operators and acquirers of industrial real estate in several important ways, including the following:

Focus on Industrial Assets in Southern California's Infill Market: We intend to continue our core strategy of owning and operating industrial properties within Southern California's infill regions. Infill markets are considered high-barrier-to entry markets with scarcity of vacant or developable land and high concentrations of people, jobs, housing, income, wages and consumption. We believe Southern California's infill industrial property market is the largest, most fragmented industrial market in the nation, demonstrating favorable long-term tenant demand fundamentals in the face of an ongoing scarcity and diminishment of supply. We have a portfolio of interests in 151 properties totaling approximately 18.5 million square feet, which are all located in Southern California infill markets.

Diversified Tenant Mix: Our portfolio is leased to a broad tenant base, drawn from diverse industry sectors. We believe that this diversification reduces our exposure to tenant default risk and earnings volatility. As of December 31, 2017, we had 1,367 leases, with no single tenant accounting for more than 1.6% of our total annualized base rent. Our portfolio is also geographically diversified within the Southern California market across the following submarkets: Los Angeles (48%); San Bernardino (19%); Orange County (13%); San Diego (10%); Ventura (10%).

Superior Access to Deal Flow: We believe that we enjoy superior access to value-add, off-market, lightly marketed and marketed acquisition opportunities, many of which are difficult for competing investors to access. Off-market and lightly marketed transactions are characterized by a lack of a formal marketing process and a lack of widely disseminated marketing materials. Marketed transactions are often characterized by extensive buyer competition, making such transactions difficult to close on for less-focused investors. As we are principally focused on the Southern California market, our executive management and acquisition teams have developed and maintain a deep, broad network of relationships among key market participants, including property brokers, lenders, owners and tenants. We employ an extensive broker marketing, incentives and loyalty program. We also utilize data-driven and event-driven analytics and primary research to identify and pursue events and circumstances, including below-market leased properties, properties experiencing functional obsolescence, generational ownership changes, and financial stress related to properties, owners, lenders, and tenants, that tend to generate early access to emerging investment opportunities.

Vertically Integrated Platform: We are a full-service real estate operating company, with substantial in-house capabilities in all aspects of our business. Our platform includes experienced in-house teams focused on acquisitions, analytics and underwriting, asset management and repositioning, property management, sales and leasing, construction management, as well as finance, accounting, legal and human relations departments.

Value-Add Repositioning and Redevelopment Expertise: Our in-house redevelopment and construction management team employs an entrepreneurial approach to redevelopment and repositioning activities that are designed to increase the functionality, cash flow and value of our properties. These activities include converting large underutilized spaces into a series of smaller and more functional spaces, building generic industrial space that appeals to a wide range of tenants, adding additional square footage and modernizing properties by, among other things, upgrading fire, life-safety and building operating systems, resolving functional obsolescence, adding or enhancing loading areas and truck access and making certain other accretive improvements.

Growth-Oriented, Flexible and Conservative Capital Structure: Our capital structure provides us with the resources, financial flexibility and the capacity to support the future growth of our business. Since our initial public offering, we have raised capital through three public offerings of our common stock, two public offerings of preferred stock and through sales of common stock under our at-the-market equity offering program. We currently have an at-the-market equity offering program pursuant to which we may sell from time to time up to an aggregate of \$300.0 million of our common stock through sales agents (the "\$300 Million ATM Program"). As of the filing date of this Annual Report on Form 10-K, we have sold \$71.0 million of our common stock under the \$300 Million ATM Program, leaving us with the capacity to issue up to \$229.0 million of additional shares. We have a \$450 million senior unsecured credit facility consisting of a \$100 million term loan facility and a \$350 million unsecured revolving credit facility. As of the filing date of this Annual Report on Form 10-K, we had borrowings of \$91.0 million outstanding under the unsecured revolving credit facility, leaving \$259.0 million available. The credit facility has an accordion feature that permits us to request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments, term loan commitments or any combination thereof, subject to certain conditions. As of December 31, 2017, our ratio of net debt to total market capitalization was 21.0%.

Competition

In acquiring our target properties, we compete with other public industrial property sector REITs, income oriented non-traded REITs, private real estate fund managers and local real estate investors and developers, some of which have greater financial resources or other competitive advantages than we do. Such competition may result in an increase in the amount we must pay to acquire a property or may require us to forgo an investment in properties which would otherwise meet our investment criteria. We also face significant competition in leasing available properties to prospective tenants and in re-leasing space to existing tenants. As a result, we may have to provide rent concessions, incur expenses for tenant improvements or offer other inducements to enable us to timely lease vacant space, all of which may have an adverse impact on our results of operations.

Insurance

We carry commercial property, liability, environmental and terrorism coverage on all the properties in our portfolio under a blanket insurance policy. In addition, we hold other environmental policies for certain properties with known environmental conditions that provides for additional coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. Generally, we do not carry insurance for certain types of extraordinary losses, including, but not limited to, losses caused by floods (unless the property is located in a flood plan), riots, war and wildfires. Substantially all of our properties are located in areas that are subject to earthquakes, and while we maintain earthquake insurance coverage, the events are subject to material deductibles and exclusions. Additionally, seismic risks are evaluated for properties during acquisition by a qualified structural engineer and to the extent that the engineer identifies a property with weaknesses that contribute to a high statistical risk, the property will generally be structurally retrofitted to reduce the statistical risk to an acceptable level.

Segment and Geographic Financial Information

We manage our operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions and, accordingly, we have only one reporting and operating segment.

All of our business is conducted in Southern California. For information about our revenues, long-lived assets and other financial information, see our consolidated financial statements included in this report and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

Employees

As of December 31, 2017, we employed 98 full-time employees. We believe that relations with our employees are good. None of our employees are represented by a labor union.

Principal Executive Offices

Our principal executive offices are located 11620 Wilshire Boulevard, Suite 1000, Los Angeles, California 90025 (telephone 310-966-1680). We believe that our current facilities are adequate for our present and future operations.

Available Information

We file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, Information Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with the U.S. Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE.; Washington, DC 20549. The public may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy details and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Our website address is <http://www.rexfordindustrial.com>. We make available on our website, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, Information Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

Our board of directors maintains charters for each of its committees and has adopted a written set of corporate governance guidelines and a code of business conduct and ethics applicable to independent directors, executive officers,

employees and agents, each of which is available for viewing on our website at <http://www.rexfordindustrial.com> under the heading “Investor Relations—Company Information—Governance—Governance Documents.”

Website addresses referred to in this Annual Report on Form 10-K are not intended to function as hyperlinks, and the information contained on our website is not incorporated into, and does not form a part of this Annual Report on Form 10-K or any other report or documents we file with or furnish to the SEC.

Regulation

General

Our properties are subject to various laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that we have the necessary permits and approvals to operate each of our properties.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, as amended (the “ADA”) to the extent that such properties are “public accommodations” as defined under the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, and we have not received any notice for correction from any regulatory agency, we have not conducted a comprehensive audit or investigation of all of our properties to determine whether we are in compliance and therefore we may own properties that are not in compliance with current ADA standards.

ADA compliance is dependent upon the tenant’s specific use of the property, and as the use of a property changes or improvements to existing spaces are made, we will take steps to ensure compliance. Noncompliance with the ADA could result in additional costs to attain compliance, imposition of fines by the U.S. government or an award of damages plus attorney’s fees to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations to achieve compliance as deemed commercially reasonable.

Environmental Matters

The properties that we acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, to the extent we own a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated and, therefore, it is possible we could incur these costs even after we sell some of the properties we acquire. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner’s ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at a property may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above, which have the potential to be very significant. The costs to clean up a contaminated property, to defend against a claim or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. To mitigate some of the environmental risk, our properties are covered by a blanket environmental insurance policy. In addition, we hold other environmental policies for certain properties with known environmental conditions that provides for additional coverage for potential environmental liabilities. These policies, however, are subject to certain limits, deductibles and exclusions, and insurance may not fully compensate us for any environmental liability. We require Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition of a property. Phase I

environmental investigations are a common form of real estate due diligence that are governed by nationally recognized American Society for Testing and Materials (ASTM) standards and typically conducted by licensed environmental scientists. Phase I investigations commonly include a physical walk-through of the property in addition to

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a file review of the site. The file review includes creating a known operating history of the site. This includes but is not limited to inquiries with local governmental agencies as well as reviewing historical aerial reviews. If the consultant identifies any unexplained Recognized Environmental Concerns (“REC”) then the consultant typically recommends further investigation, usually through specific invasive property tests. This additional round of investigation is commonly referred to as a “Phase II”. Invasive testing may or may not include air, soil, soil vapor or ground water sampling. Additionally, it may or may not include an asbestos and/or lead based paint survey. Depending on the results of the initial Phase II investigation, the consultant may recommend further Phase II investigations, or if satisfied with the results, the consultant may decide the initial REC identified is no longer a concern. We generally expect to continue to obtain a Phase I or similar environmental site assessments by independent environmental consultants on each property prior to acquiring it. However, these environmental assessments may not reveal all environmental costs that might have a material adverse effect on our business, assets and results of operations or liquidity and may not identify all potential environmental liabilities.

We can make no assurances that (1) future laws, ordinances or regulations will not impose material environmental liabilities on us, or (2) the current environmental condition of our properties will not be affected by tenants, the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Item 1A. Risk Factors

Set forth below are some (but not all) of the factors that could adversely affect our performance and financial condition. Moreover, we operate in a highly competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for us to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

We believe the following risks are material to our stockholders. You should carefully consider the following factors in evaluating our company, our properties and our business. The occurrence of any of the following risks could adversely affect our results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock and might cause our stockholders to lose all or part of their investment. For purposes of this section, the term “stockholders” means the holders of shares of our common stock.

Risks Related to Our Business and Operations

Our portfolio of properties is concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our properties are concentrated in the industrial real estate sector. This concentration exposes us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in Southern California infill markets, which causes us to be especially susceptible to adverse developments in those markets.

All of our properties are located in Southern California, which may expose us to greater or lesser economic risks than if we owned a more geographically diverse portfolio. We are particularly susceptible to adverse economic or other conditions in Southern California (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in this market (such as earthquakes, wild fires, mudslides, and other events). Most of our properties are located in areas known to be seismically active. While we carry insurance for losses resulting from earthquakes the amount of our coverage may not be sufficient to fully cover losses from earthquakes and associated disasters and the policies are subject to material deductibles and self-insured retention. The Southern California market has experienced downturns in past years. Any future downturns in the Southern California economy could impact our tenants’ ability to continue to meet their rental obligations or otherwise adversely affect the size of our tenant base, which could materially adversely affect our operations and our revenue and cash available for distribution, including cash available to pay

distributions to our stockholders. We cannot assure you that the Southern California market will grow or that underlying real estate fundamentals will be favorable to owners and operators of industrial properties. Our operations may also be affected if competing properties are built in the Southern California market. In addition, the State of California is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for industrial space in California and may make it more costly

to operate our business. Any adverse economic or real estate developments in the Southern California market, or any decrease in demand for industrial space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact us and our stockholders.

Our properties are concentrated in certain industries that make us susceptible to adverse events with respect to those industries.

Our properties are concentrated in certain industries, which, as of December 31, 2017, included the following (and accounted for the percentage of our total annualized base rent indicated): Warehousing (25.5%); Wholesale Trade (21.4%); Manufacturing (13.0%); Retail Trade (7.0%); and Professional, Scientific and Technical Services (6.1%). Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to enter into new leases, which could materially and adversely affect us.

Our debt level reduces cash available for distribution and may expose us to the risk of default under our debt obligations.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations and in some cases commence foreclosure proceedings on one or more of our properties; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

Any loan defaults or property foreclosures may impact our ability to access capital in the future on favorable terms or at all, as well as our relationships with and/or perception among lenders, investors, tenants, brokers, analysts, vendors, employees and other parties. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Influence Future Results of Operations.”

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of industrial properties meeting certain investment criteria in our target markets. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may expose us to the following significant risks:

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and
- we may be unable to finance any given acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable

properties could slow our growth.

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Our acquisition activities may pose risks that could harm our business.

As a result of our acquisitions, we may be required to incur debt and expenditures and issue additional common stock or common units to pay for the acquired properties. These acquisitions may dilute our stockholders' ownership interest, delay or prevent our profitability and may also expose us to risks such as:

- the possibility that we may not be able to successfully integrate acquired properties into our existing portfolio or achieve the level of quality with respect to such properties to which tenants of our existing properties are accustomed;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired properties, diverting their attention from our other objectives;
- the possibility that we may overpay for a property;
- the possible loss or reduction in value of acquired properties; and
- the possibility of pre-existing undisclosed liabilities regarding acquired properties, including environmental or asbestos liability, for which our insurance may be insufficient or for which we may be unable to secure insurance coverage.

We cannot assure you that the price for any future acquisitions will be similar to prior acquisitions. If our revenue does not keep pace with these potential acquisition and expansion costs, we may incur net losses. There is no assurance that we will successfully overcome these risks or other problems encountered with acquisitions.

We may obtain limited or no warranties when we purchase a property, which increases the risk that we may lose invested capital in or rental income from such property.

Many properties that we have acquired and expect to acquire in the future are sold in "as is" condition, on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In other acquisitions, the purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. Also, many sellers of real estate are single-purpose entities without any other significant assets. The purchase of properties with limited warranties or from undercapitalized sellers increases the risk that we may lose some or all of our invested capital in the property (and in some cases, have liabilities greater than our investment) as well as the loss of rental income from such property.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions of industrial properties in Southern California continues to be extremely competitive. This competition may increase the demand for our target properties and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results. The impact of the legalization of certain types of marijuana production, distribution and use in California could increase competition to acquire industrial properties within infill Southern California markets, which could reduce the supply of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and, as a result, adversely affecting our operating results.

We may be unable to source off-market or lightly marketed deal flow in the future.

As of December 31, 2017, approximately 66% of the acquisitions by deal count completed by us since our initial public offering ("IPO") were acquired in off-market or lightly marketed transactions, which are transactions that are characterized by a lack of a formal marketing process and lack of widely disseminated marketing materials. Properties that are acquired by off-market or lightly marketed transactions are typically more attractive to us as a purchaser and are a core part of our strategic plan, because the absence of a formal or extended marketing/bidding period typically results in more favorable pricing, more favorable non-economic terms and often an ability to close transactions more

rapidly. If we cannot obtain off-market or lightly marketed

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deal flow in the future, our ability to locate and acquire additional properties in the manner in which we have historically may be adversely affected and may cause us to revisit our core strategies.

Our future acquisitions may not yield the returns we expect.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown or greater than expected liabilities such as liabilities for clean-up of environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need to periodically repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance the properties when the loans become due, we will have fewer debt guarantee opportunities available to offer under our Tax Matters Agreement, previously filed with the SEC.

Mortgage and other secured debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a

purchase price equal to the outstanding balance of the

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debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Some of our financing arrangements involve balloon payment obligations, which may adversely affect our financial condition and our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our ability to satisfy a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to satisfy the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Failure to hedge effectively against interest rate changes may adversely affect us.

Subject to the rules related to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. As of December 31, 2017, we have seven interest rate swaps in place for the purpose of mitigating our exposure to fluctuations in short-term interest rates. Two of these swaps have notional values of \$30 million and \$28.9 million, and currently fix the interest rate on our \$60.0 million amortizing term loan as follows: (i) \$30.0 million at 3.726% from January 15, 2015 to February 15, 2019 and (ii) \$28.9 million at 3.910% for the period from July 15, 2015 to February 15, 2019. Two other swaps each have a notional value of \$50.0 million, and were executed to fix the interest rate on our \$100 million unsecured term loan facility as follows: (i) \$50.0 million at 1.790% plus an applicable margin under the terms of the loan agreement from August 14, 2015 to December 14, 2018 and (ii) \$50.0 million at 2.005% plus an applicable margin under the terms of the loan agreement from February 16, 2015 to December 14, 2018. During 2017, we entered into a new swap with a notional value of \$100.0 million, that has an effective date of December 14, 2018, which coincides with the termination date of the two aforementioned swaps. This swap will fix interest on the \$100.0 million term loan at 1.764% plus an applicable margin under the terms of the loan agreement from December 14, 2018 to August 14, 2021. The remaining two swaps have notional values of \$125.0 million and \$100.0 million, and were executed to fix the interest rate on our \$225 million unsecured term loan facility as follows: (i) \$125.0 million at 1.349% plus an applicable margin under the terms of the loan agreement from February 14, 2018 to January 14, 2022 and (ii) \$100.0 million at 1.406% plus an applicable margin under the terms of the loan agreement from August 14, 2018 to January 14, 2022.

Our future hedging transactions may include entering into additional interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification (“ASC”), Topic 815, Derivatives and Hedging. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) went into effect in 2010. Dodd-Frank created a new regulatory framework for oversight of derivatives transactions by the Commodity Futures Trading Commission (the “CFTC”) and the SEC. Among other things, Dodd-Frank subjects certain swap participants to new capital, margin and business conduct standards. In addition, Dodd-Frank contemplates that where appropriate in light of outstanding exposures, trading liquidity and other factors, swaps (broadly defined to include most hedging instruments other than futures) will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these

requirements for entities that use swaps to hedge or mitigate commercial risk. While we believe we qualify for one or more of such exceptions (including with respect to our existing interest rate swaps), the scope of these exceptions is still considered uncertain and will be further defined over time. Further, although we may qualify for exceptions, our derivatives counterparties may be subject to new capital, margin and business conduct requirements imposed as a result of the legislation, which may increase our transaction costs or make it more difficult for us to enter into additional hedging transactions on favorable terms. Our inability to enter into future hedging transactions on favorable terms, or at all, could increase our operating expenses and put us at increased exposure to interest rate risks.

Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, various covenants, and the failure to comply with those covenants could materially adversely affect us.

Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, certain covenants, which, among other things, restrict our activities, including, as applicable, our ability to sell the underlying property without the consent of the holder of such indebtedness, to repay or defease such indebtedness or to engage in mergers or consolidations that result in a change in control of our company. We are also subject to financial and operating covenants. Failure to comply with any of these covenants would likely result in a default under the applicable indebtedness that would permit the acceleration of amounts due thereunder and under other indebtedness and foreclosure of properties, if any, serving as collateral therefor.

Our unsecured credit facility, unsecured notes and certain of our other secured loans will restrict our ability to engage in some business activities.

Our unsecured credit facility and unsecured notes contains customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;
- limit our ability to make capital expenditures;
- restrict our ability to merge with another company;
- restrict our ability to make distributions to stockholders; and
- require us to maintain financial coverage ratios.

These limitations will restrict our ability to engage in some business activities that may otherwise be in our best interests. In addition, our unsecured credit facility, unsecured notes and secured term loan contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

Adverse changes in our credit rating could impair our ability to obtain future debt and equity financing on favorable terms, if at all.

Our credit rating is 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. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. There can be no assurance that we will be able to maintain our current credit rating. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments.

We may be subject to litigation or threatened litigation, which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may be subject to litigation or threatened litigation. In particular, we are subject to the risk of complaints by our tenants involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to litigation or governmental investigations, as well as claims and litigation relating to real estate rights, access, legal compliance or uses of our properties, stockholder claims or claims by limited partners in our Operating Partnership, vendor contractual claims and asset purchase and sale related claims. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Additionally, whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant, or involve our agreement with terms that restrict the operation of our business. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on us and our stockholders. Certain litigation or the resolution of certain litigation may affect

the availability or cost of some of our insurance coverage and could expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract directors, officers and other key employees.

Compliance or failure to comply with the Americans with Disabilities Act, California Energy Efficiency Standards, and other regulations could result in substantial costs.

Under the Americans with Disabilities Act and parallel California statutes, certain requirements related to access and use by disabled persons must be met. Noncompliance could result in the imposition of fines by the federal and state governments or the award of damages to private litigants. Under California energy efficiency standards, referred to as Title 24 or The Energy Efficiency Standards for Residential and Nonresidential Buildings, building owners may incur increased costs to renovate properties in order to meet changing energy efficiency standards. If we are required to make unanticipated expenditures or substantial modifications to our properties, whether to comply with the Americans with Disabilities Act and parallel California statutes, Title 24, or other changes in governmental rules and regulations, our financial condition, cash flows, results of operations, the market price of our shares of common stock and preferred stock and our ability to make distributions to our stockholders could be adversely affected.

Adverse U.S. and global market, economic and political conditions and other events or circumstances beyond our control could have a material adverse effect on us.

Another economic or financial crisis or rapid decline of the consumer economy, significant concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, or a declining real estate market in the U.S. can contribute to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. As was the case from 2008 through 2010, these factors, combined with volatile oil prices and fluctuating business and consumer confidence, can precipitate a steep economic decline.

Additionally, political uncertainty from matters such as the implementation of the governing agenda of President Donald J. Trump, changes in governmental policy on a variety of matters such as trade and manufacturing policies, and geopolitical matters such as the exit of the United Kingdom from the European Union and possible restructuring of trade agreements contribute to potential risks beyond our control. It is not possible to predict whether these economic and political occurrences might negatively impact the economies around the world, including the U.S. and Southern California. If these macro-economic and political issues are not managed appropriately, they could lead to currency, sovereign debt or banking crises, other financial and trade turmoil and uncertainty, and lower occupancy, rents and values for individual real estate in our markets.

Recurring U.S. debt ceiling and budget deficit concerns, together with sovereign debt conditions in Europe, also increase the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. The impact of any downgrades to the U.S. government's sovereign credit rating and that of other nations, or their perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. These developments have the potential to cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, lowered credit ratings of the U.S. and other governments could create financial turmoil and uncertainty, which may exert downward pressure on the market price of our common stock.

Our business may be adversely affected by global market, political and economic challenges, including dislocations and volatility in the credit markets and general global economic uncertainty, including the effect of any slowing of the Chinese economy and restrictions on capital outflows from China. These conditions may adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock as a result of the following potential consequences, among others:

- decreased demand for industrial space, which would cause market rental rates and property values to be negatively impacted;

- reduced values of our properties may limit our ability to dispose of assets at attractive prices, or at all, or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and

- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and redevelopment opportunities and refinance existing debt, reduce our returns from our acquisition and redevelopment activities and increase our future interest expense.

In addition, global market, political and economic conditions could adversely affect the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we

may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

Failure of the U.S. federal government to manage its fiscal matters may negatively impact the economic environment and adversely impact our results of operations.

An inability of the U.S. federal government to manage its fiscal matters, or manage its debt may result in the loss of economic confidence domestically and globally, reduce investment spending, increase borrowing costs, impact availability and

cost of capital, and significantly reduce economic activity. Furthermore, a failure by the U.S. federal government to enact appropriate fiscal legislation may significantly impact the national and global economic and financial environment and affect our business and the businesses of our tenants. If economic conditions severely deteriorate as a result of government fiscal gridlock, our ability to lease space to our tenants may be significantly impacted.

An increase in interest rates could adversely impact our financial condition results of operations and cash flows. Our financial condition, results of operations and cash flows could be significantly affected by changes in interest rates and actions taken by the Federal Reserve. Future increases in market interest rates would increase our interest expense under our unhedged variable rate borrowings and would increase the costs of refinancing existing indebtedness or obtaining new debt. In addition, increases in market interest rates may result in a decrease in the value of our real estate and a decrease in the market price of our common stock. Increases in market interest rates may also adversely affect the securities markets generally, which could reduce the market price of our common stock without regard to our operating performance. Accordingly, unfavorable changes to our borrowing costs and stock price could significantly impact our ability to access new debt and equity capital going forward.

Changes in laws, regulations, and financial accounting standards may adversely affect our reported results of operations.

As a response, in large part, to perceived abuses and deficiencies in current regulations believed to have caused or exacerbated the prior global financial crisis, legislative, regulatory, and accounting standard-setting bodies around the world are engaged in an intensive, wide-ranging examination and rewriting of the laws, regulations, and accounting standards that have constituted the basic playing field of global and domestic business for several decades. In many jurisdictions, including the U.S., the legislative and regulatory response has included the extensive reorganization of existing regulatory and rule-making agencies and organizations, and the establishment of new agencies with broad powers. This reorganization has disturbed longstanding regulatory and industry relationships and established procedures.

The rule-making and administrative efforts have focused principally on the areas perceived as having contributed to the financial crisis, including banking, investment banking, securities regulation, and real estate finance, with spillover impacts on many other areas. The new presidential administration of President Donald J. Trump has indicated a desire to modify or reverse some of these efforts. This has created a significant degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses.

The global financial crisis and the aggressive government and accounting profession reaction thereto have occurred against a backdrop of increasing globalization and internationalization of financial and securities regulation that began prior to the prior financial crisis. As a result of this ongoing trend, financial and investment activities previously regulated almost exclusively at a local or national level are increasingly being regulated, or at least coordinated, on an international basis, with national rule-making and standard-setting groups relinquishing varying degrees of local and national control to achieve more uniform regulation and reduce the ability of market participants to engage in regulatory arbitrage between jurisdictions. This globalization trend has continued, arguably with an increased sense of urgency and importance, since the financial crisis.

This high degree of regulatory uncertainty, coupled with considerable additional uncertainty regarding the underlying condition and prospects of global, domestic, and local economies, has created a business environment that makes business planning and projections even more uncertain than is ordinarily the case for businesses in the financial and real estate sectors.

In the commercial real estate sector in which we operate, the uncertainties posed by various initiatives of accounting standard-setting authorities to fundamentally rewrite major bodies of accounting literature constitute a significant source of uncertainty as to the basic rules of business engagement. Changes in accounting standards and requirements, including the potential requirement that U.S. public companies prepare financial statements in accordance with international standards, proposed lease and investment property accounting standards, and the adoption of accounting standards likely to require the increased use of “fair value” measures, may have a significant effect on our financial results and on the results of our client tenants, which would have a secondary impact on us. New accounting pronouncements and interpretations of existing pronouncements are likely to continue to occur at an accelerated pace as a result of recent Congressional and regulatory actions and continuing efforts by the accounting

profession itself to reform and modernize its principles and procedures.

We may be adversely affected by new or amended laws or regulations, including legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Reform Act”) and other by changes in federal, state, or foreign tax laws and regulations, and by changes in the interpretation or enforcement of existing laws and regulations. It is possible that the 2017 Tax Reform Act’s reduced federal deductions for state and local taxes and mortgage interest for individual taxpayers, which may result

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in higher taxes for the principals and employees of our California based tenants, will impact our tenants in a manner that limits their ability to pay rent or higher rent, retain employees or maintain operations in California. Any economic slowdowns may prompt a variety of legislative, regulatory, and accounting profession responses.

To a large degree, the impacts of the legislative, regulatory, and accounting reforms to date are still not clear, including provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), which regulates the banking and investment banking industries and has extended implementation periods and delayed effective dates with extensive rule making by regulatory authorities. Further, actions by President Donald J. Trump’s administration may alter Dodd-Frank implementation, interpretation and/or enforcement. While we do not currently expect Dodd-Frank to have a significant direct impact on us, Dodd-Frank’s impact on us may not be known for an extended period of time. Dodd-Frank, including current and future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial or real estate industries or affecting taxation that are proposed or pending in the U.S. Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework within which we operate in ways that are not currently identifiable. Dodd-Frank also has resulted in, and is expected to continue to result in, substantial changes and dislocations in the banking industry and the financial services sector in ways that could have significant effects on, for example, the availability and pricing of unsecured credit, commercial mortgage credit, and derivatives, such as interest rate swaps, which are important aspects of our business. Accordingly, new laws, regulations, and accounting standards, as well as changes to, or new interpretations of, currently accepted accounting practices in the real estate industry may adversely affect our results of operations.

Changes in the system for establishing U.S. accounting standards may result in adverse fluctuations in our reported asset and liability values and earnings, and may materially and adversely affect our reported results of operations. Accounting for public companies in the U.S. has historically been conducted in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) as established by the Financial Accounting Standards Board (“FASB”), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board (“IASB”) is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards (“IFRS”). IFRS generally reflects accounting practices that prevail in Europe and in developed nations in other parts of the world. IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on “fair value” models of accounting for assets and liabilities than GAAP. “Fair value” models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

The SEC is still analyzing and considering whether IFRS should be incorporated into the U.S. financial reporting system. It is unclear at this time how and when the SEC will propose that GAAP and IFRS be harmonized if the decision to incorporate is adopted. In addition, incorporating a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion is uncertain.

We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared and we may not be able to accurately report our financial results.

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses, and changes to our business will necessitate ongoing changes to our internal control systems and processes. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; and hire additional accounting, internal audit and finance

staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and price of our common stock.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continually reviews the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting that may occur in the future could result in misstatements or restatements of our financial statements or a decline in the price of our securities.

We may be unable to renew leases, lease vacant space or re-lease space as leases expire.

As of December 31, 2017, 1.7% of the rentable square footage of our portfolio was available for lease and leases representing 0.9% of the rentable square footage of our portfolio expired on December 31, 2017. In addition, leases representing 12.9% and 14.8% of the rentable square footage of the properties in our portfolio will expire in 2018 and 2019. We cannot assure you that our leases will be renewed or that our properties will be re-leased at rental rates equal to or above the current average rental rates or that we will not offer substantial rent abatements, tenant improvements, early termination rights or below-market renewal options to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, or if our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected.

We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial tenant concessions or tenant rights (including rent abatements, tenant improvements, early termination rights or below-market renewal options) in order to retain tenants when our tenants' leases expire or to attract new tenants.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants.

Occupancy and rental rates are the primary drivers of our revenue and significantly impact us and our stockholders. In order to attract and retain tenants, we may be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. Additionally, when a tenant at one of our properties does not renew its lease or otherwise vacates its space, it is likely that, in order to attract one or more new tenants, we will be required to expend funds for improvements in the vacated space. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or if capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases and/or an inability to attract new tenants.

A substantial majority of the leases at our properties are with tenants who have non-investment grade credit ratings, which may result in our leasing to tenants that are more likely to default in their obligations to us than a tenant with an investment grade credit rating.

A substantial majority of the leases at our properties are with tenants who have non-investment grade credit ratings. The ability of a non-investment grade tenant to meet its obligations to us cannot be considered as well assured as that of an investment grade tenant. All of our tenants may face exposure to adverse business or economic conditions which could lead to an inability to meet their obligations to us. However, non-investment grade tenants may not have the financial capacity or liquidity to adapt to these conditions or may have less diversified businesses, which may

exacerbate the effects of adverse conditions on their businesses. Moreover, the fact that a substantial majority of our tenants are not investment grade may cause investors or lenders to view our cash flows as less stable, which may increase our cost of capital, limit our financing options or adversely affect the trading price of our common stock.

Some of our tenants have historically filed for bankruptcy protection or become insolvent. This may occur with tenants in the future, and we are particularly at risk because of the credit rating of much of our tenant base. The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by our properties. If any tenant becomes a debtor in a case under the U.S. Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate their lease with us. Our claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. Also, our claim for unpaid rent would likely not be paid in full. Failed banks or banks involved in government-facilitated sales are subject to the Federal Deposit Insurance Corporation's (the "FDIC") statutory authority and receivership process. The FDIC has receivership powers that are substantially broader than those of a bankruptcy trustee. In dealing with the FDIC in any repudiation of a lease, we as landlord are likely to be in a less favorable position than with a debtor in a bankruptcy proceeding. Many of the creditor protections that exist in a bankruptcy proceeding do not exist in a FDIC receivership.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Southern California real estate market, a general economic downturn and a decline in the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents for properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. In addition, depending on fluctuations in asking rental rates at any given time, from time to time rental rates for expiring leases in our portfolio may be higher than starting rental rates for new leases. We cannot assure you that leases will be renewed or that our properties will be re-let at rental rates equal to or above our current average rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If we are unable to obtain rental rates comparable to our asking rents for properties in our portfolio, our ability to generate cash flow growth will be negatively impacted. Significant rent reductions could result in a write-down of one or more of our consolidated properties and/or adversely affect the market price of our common stock, our financial condition and our results of operations, including our ability to satisfy our debt service obligations and to pay dividends to our stockholders. Moreover, the resale value of a property could be diminished because the market value of a particular property depends principally upon the value of the leases of such property.

We may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future, we may acquire properties or portfolios of properties through tax-deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we are able to deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Our real estate development, redevelopment and repositioning activities are subject to risks particular to development, redevelopment and repositioning.

We may engage in development, redevelopment or repositioning activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development, redevelopment and repositioning activities:

- unsuccessful development, redevelopment or repositioning opportunities could result in direct expenses to us;
- construction, redevelopment or repositioning costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction, redevelopment or repositioning of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;

contractor and subcontractor disputes, strikes, labor disputes or supply disruptions, which may cause delays or increase costs;

failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;

delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;

occupancy rates and rents of a completed project may not be sufficient to make the project profitable; our ability to dispose of properties developed, redeveloped or repositioned with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development, redevelopment or repositioning activities once undertaken.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Howard Schwimmer, Michael S. Frankel and Adeel Khan who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity.

Our ability to retain our senior management, particularly Messrs. Schwimmer, Frankel and Khan or to attract suitable replacements should any members of our senior management leave, is dependent on the competitive nature of the employment market. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants. Further, the loss of a member of our senior management team could be negatively perceived in the capital markets. Potential losses, including from adverse weather conditions and natural disasters, may not be covered by insurance.

We carry commercial property, liability, environmental, earthquake and terrorism coverage on all the properties in our consolidated portfolio under a blanket insurance policy, in addition to other coverages that are appropriate for certain of our properties. We will select policy specifications and insured limits that we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. Some of our policies are insured subject to limitations involving significant deductibles or co-payments and policy limits that may not be sufficient to cover losses. In addition, we may discontinue terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Currently, we do not carry insurance for certain types of extraordinary losses, such as loss from riots, war and wildfires because we believe such coverage is cost prohibitive or available at a disproportionately high cost. As a result, we may incur significant costs in the event of loss from wildfires, riots, war and other uninsured losses. If we do obtain insurance for any of those risks in the future, such insurance cost may impact the operating costs and net cash flow of our properties.

If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

All of the properties in our portfolio are located in areas that are prone to earthquake activity.

All of the properties in our portfolio are located in Southern California, an area that is particularly prone to seismic activity. According to the U.S. Geological Service, in places where fault systems do not experience frequent tiny shocks and a few moderate earth tremors, strain can build up, producing earthquakes when the strain on tectonic plates releases. In Southern California, the largest most recent quake occurred in 1994 in Northridge, over 20 years ago. A severe earthquake in the Southern California region could result in uninsured damage to a subset or even a substantial portion of our portfolio and could significantly impact our cash flow.

While we carry insurance for losses resulting from earthquakes, such policies are subject to material deductibles and self-insured retention. Additionally, natural disasters, including earthquakes, may cause future earthquake insurance costs to increase significantly, which may impact the operating costs and net cash flow of our properties.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants conducted a Phase I or similar environmental site assessment on most of our properties at the time of their acquisition or in connection with subsequent financings. Such Phase Is or similar environmental site assessments are limited in scope and may not include or identify all potential environmental liabilities or risks associated with the relevant properties. We do not intend to obtain new or updated Phase Is or similar environmental site assessments in the ordinary course of business absent a specific need. This may expose us to liability related to unknown or unanticipated environmental matters. Unless required by applicable laws or regulations, we may not further investigate, remedy or ameliorate the liabilities disclosed in the existing Phase Is or similar environmental site assessments and this failure may expose us to liability in the future.

We may be unable to sell a property if or when we decide to do so.

We expect to hold the various real properties until such time as we decide that a sale or other disposition is appropriate. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting the industrial real estate market which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell any properties identified for sale at favorable pricing and may not receive net income from the transaction.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We have co-invested in the past, and may co-invest again in the future, with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our company's status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in volatile credit markets, the refinancing of such debt may require equity capital calls.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all. In order to qualify and maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and

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excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction, including any net capital gains. Because of these distribution requirements, we are highly dependent on third-party sources to fund capital needs, including any necessary acquisition financing. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the trading price of our common stock.

In prior years, the capital markets have been subject to periodic significant disruptions. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business, implement our growth plan and fund other cash requirements. If we cannot obtain capital from third-party sources on favorable terms or at all when desired, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT. To the extent that capital is not available to acquire properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our stock.

We face risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology ("IT") networks and related systems.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day to day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases, are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our

reputation among our tenants and investors generally.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry.

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of

our properties. These events include many of the risks set forth above under “—Risks Related to Our Business and Operations,” as well as the following:

- local oversupply or reduction in demand for industrial space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, floods and wildfires, which may result in uninsured or underinsured losses;
- decreases in the market value of our properties;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our Tax Matters Agreement, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT’s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

Declining real estate valuations and impairment charges could materially adversely affect us.

We intend to review the carrying value of our properties when circumstances, such as adverse market conditions, indicate a potential impairment may exist. We intend to base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the property’s use and eventual disposition on an undiscounted basis. We intend to consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property.

Impairment losses have a direct impact on our operating results, because recording an impairment loss results in a negative adjustment to our publicly reported operating results. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis.

Adverse economic conditions and the dislocation in the credit markets could materially adversely affect us.

Economic conditions can be unpredictable and vary greatly, creating uncertainty and in some cases severely impacted the lending and capital markets, particularly for real estate. When occurring, these conditions may limit the amount of

indebtedness

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we are able to obtain and our ability to refinance our indebtedness, and may impede our ability to develop new properties and to replace construction financing with permanent financing, which could result in our having to sell properties at inopportune times and on unfavorable terms.

Any lack of availability of debt financing may require us to rely more heavily on additional equity issuances, which may be dilutive to our current stockholders, or on less efficient forms of debt financing.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We have acquired properties in markets that are new to us. For example, our predecessor business acquired properties in Arizona and Illinois as part of an acquisition of a portfolio of properties that included four other properties located in our target markets. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

We may choose not to distribute the proceeds of any sales of real estate to our stockholders, which may reduce the amount of our cash distributions to stockholders.

We may choose not to distribute any proceeds from the sale of real estate investments to our stockholders. Instead, we may elect to use such proceeds to:

- acquire additional real estate investments;

- repay debt;

- buy out interests of any partners in any joint venture in which we are a party;

- create working capital reserves; or

- make repairs, maintenance, tenant improvements or other capital improvements or expenditures on our other properties.

Any decision to retain or invest the proceeds of any sales, rather than distribute such proceeds to our stockholders may reduce the amount of cash distributions to equity holders.

If any of our insurance carriers becomes insolvent, we could be adversely affected.

We carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at significant risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency would likely adversely affect us.

Our property taxes could increase due to property tax rate changes or reassessment, which could adversely impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. All of our properties located in California may be reassessed as a result of various factors. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past. If the property taxes we pay increase, our cash flow would be adversely impacted to the extent that we are not reimbursed by tenants for those taxes.

We could incur significant costs related to government regulation and litigation over environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating to or from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could

exceed the value of the property and in some cases our aggregate net asset value. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal, property, or natural resources damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such material known or suspected to exist at a number of our properties which may result in further investigation, remediation, or deed restrictions. Further, certain of our properties are adjacent to or near other properties that have contained or currently contain petroleum or other hazardous substances, or at which others have engaged or may engage in activities that may release such hazardous substances. Adjacent property uses are identified in standard ASTM procedures in Phase I environmental studies, which we obtain on all property acquisitions. In addition to a blanket environmental insurance policy, as needed, we may obtain environmental insurance policies on commercially reasonable terms that provide coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. However, these policies are subject to certain limits, deductibles and exclusions, and insurance may not fully compensate us for any environmental liability. From time to time, we may acquire properties with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. We usually perform a Phase I environmental site assessment at any property we are considering acquiring. Phase I environmental site assessments are limited in scope and do not involve sampling of soil, soil vapor, or groundwater, and these assessments may not include or identify all potential environmental liabilities or risks associated with the property. Even where subsurface investigation is performed, it can be very difficult to ascertain the full extent of environmental contamination or the costs that are likely to flow from such contamination. We cannot assure you that the Phase I environmental site assessment or other environmental studies identified all potential environmental liabilities, or that we will not face significant remediation costs or other environmental contamination that makes it difficult to sell any affected properties. Also, we have not always implemented actions recommended by these assessments, and recommended investigation and remediation of known or suspected contamination has not always been performed. Contamination may exist at many of our properties, and governmental regulators or third parties could seek to force us to contribute to investigation or remediation of known or suspected contamination. As a result, we could potentially incur material liability for these issues.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos).

In addition, the properties in our portfolio also are subject to various federal, state and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. Further, these environmental, health, and safety laws could become more stringent in the future, and this could subject us or our tenants to new or greater liability.

We cannot assure you that remedial measures and other costs or liabilities incurred as a result of environmental issues will be immaterial to our overall financial position. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance, including the removal of access barriers, and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures.

Changes in the method of determining the London Interbank Offered Rate (“LIBOR”) may adversely affect interest expense related to outstanding debt.

We hold certain debt instruments on which interest rates move in direct relation to LIBOR, depending on our selection of borrowing options. Beginning in 2008, concerns have been raised that some of the member banks surveyed by the British Bankers’ Association (the “BBA”) in connection with the calculation of daily LIBOR across a range of maturities and currencies may have underreported, over reported, or otherwise manipulated the interbank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that might have resulted from reporting interbank lending rates higher than those they actually submitted.

Subsequently, new rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the “FCA”) were published and came into effect on April 2, 2013 (the “FCA Rules”), and in 2014, NYSE Euronext took over the administration of LIBOR. It is not possible to predict the effect of the FCA Rules, any changes in the methods pursuant to which LIBOR is determined, the administration of LIBOR by NYSE Euronext, and any other reforms to LIBOR that will be enacted in the United Kingdom and elsewhere. In addition, any changes announced by the FCA, the BBA, or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which LIBOR is determined, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the level of the index. Fluctuation or discontinuation of LIBOR would affect our interest expense and earnings and the fair value

of certain of our financial instruments. We rely on interest rate swaps to help mitigate our exposure to such interest rate risk, on a portion of our debt obligations. However, there is no assurance these arrangements will be effective in reducing our exposure to changes in interest rates.

Risks Related to Our Organizational Structure

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistent with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, may give priority to the separate interests of our company or our stockholders (including with respect to tax consequences to limited partners, assignees or our stockholders), and, in the event of such a conflict, any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of our operating partnership under its partnership agreement does not violate the duty of loyalty or any other duty that we, in our capacity as the general partner of our operating partnership, owe to our operating partnership and its partners or violate the obligation of good faith and fair dealing.

Additionally, the partnership agreement provides that we generally will not be liable to our operating partnership or any partner for any action or omission taken in our capacity as general partner, for the debts or liabilities of our operating partnership or for the obligations of the operating partnership under the partnership agreement, except for liability for our fraud, willful misconduct or gross negligence, pursuant to any express indemnity we may give to our operating partnership or in connection with a redemption. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person in advance of a final disposition of the proceeding upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership is not required to indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability to our operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties and obligations that would be in effect were it not for the partnership agreement.

Some of our directors and executive officers have outside business interests, including interests in real estate-related businesses, and, therefore, may have conflicts of interest with us.

Certain of our executive officers and directors have outside business interests, including interests in real estate-related businesses, and may own equity securities of public and private real estate companies. Our executive officers' and directors' interests in these entities could create a conflict of interest, especially when making determinations regarding our renewal of leases with tenants subject to these leases. Our executive officers' involvement in other businesses and real estate-related activities could divert their attention from our day-to-day operations, and state law may limit our ability to enforce any non-compete agreements.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. As a result, we may issue classes or series of common stock or preferred stock with preferences, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of the Maryland General Corporation Law (“MGCL”), may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

“Business combination” provisions that, subject to certain exceptions, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price or supermajority stockholder voting requirements on these combinations; and

“Control share” provisions that provide that holders of “control shares” of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise voting power in the election of directors within one of three increasing ranges) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of the voting power of issued and outstanding “control shares,” subject to certain exceptions) have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, our bylaws provide that we will not be subject to the control share provisions of the MGCL and our board of directors has, by resolution, exempted us from the business combination between us and any other person. However, we cannot assure you that our board of directors will not revise the bylaws or such resolution in order to be subject to such business combination and control share provisions in the future. Notwithstanding the foregoing, an alteration or repeal of the board resolution exempting such business combinations will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal.

Certain provisions of the MGCL permit the board of directors of a Maryland corporation with at least three independent directors and a class of stock registered under the Exchange Act without stockholder approval and regardless of what is currently provided in its charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for our company or of delaying, deferring or preventing a change in control under circumstances that otherwise could provide the holders of shares of our stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby it elects to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the board of directors.

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisition of us.

Provisions of the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders or limited partners might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;

a requirement that we may not be removed as the general partner of our operating partnership without our consent;
transfer restrictions on common units;

our ability, as general partner, in some cases, to amend the partnership agreement and to cause our operating partnership to issue additional partnership interests with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of our stockholders or the limited partners; and

the right of the limited partners to consent to certain transfers of our general partnership interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise).

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

The Tax Matters Agreement limits our ability to sell or otherwise dispose of certain properties, even though a sale or disposition may otherwise be in our stockholders' best interest.

In connection with the formation transactions, we entered into a Tax Matters Agreement with certain limited partners of our operating partnership, including Messrs. Ziman, Schwimmer and Frankel, that provides that if we dispose of any interest with respect to certain properties in our initial portfolio in a taxable transaction during the period from the completion of the IPO (July 24, 2013) through the seventh anniversary of such completion (July 24, 2020), our operating partnership will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that exists with respect to such property interest as of the time of the IPO and tax liabilities incurred as a result of the indemnification payment; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. We have no present intention to sell or otherwise dispose of these properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under this agreement, our operating partnership would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment). As a result, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

The Tax Matters Agreement may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

The Tax Matters Agreement provides that, during the period beginning from the date of the completion of our IPO (July 24, 2013) through the period ending on the twelfth anniversary of our IPO (July 24, 2025), our operating partnership will offer certain limited partners the opportunity to guarantee its debt, and following such period, our operating partnership will use commercially reasonable efforts to provide such limited partners who continue to own at least 50% of the common units they originally received in the formation transactions with debt guarantee opportunities. Our operating partnership will be required to indemnify such limited partners for their tax liabilities resulting from our failure to make such opportunities available to them (plus an additional amount equal to the taxes incurred as a result of such indemnity payment). Among other things, this opportunity to guarantee debt is intended to allow the participating limited partners to defer the recognition of gain in connection with the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest

rate risk, real estate market fluctuations and liquidity risk.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law in effect from time to time. Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or on behalf of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, our stockholders' ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we rely on distributions from our operating partnership to continue to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, stockholder claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our operating partnership may issue additional common units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

As of December 31, 2017, we own 97.5% of the outstanding common units in our Operating Partnership and we may, in connection with future acquisitions of properties or otherwise, cause our operating partnership to issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

Risks Related to Our Status as a REIT

Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the per share trading price of our common stock.

We have elected to be taxed as a REIT for federal income tax purposes commencing with our initial taxable year ended December 31, 2013. We intend to continue to meet the requirements for taxation as a REIT. We have not requested and do not plan to request a ruling from the Internal Revenue Service ("IRS") that we qualify as a REIT, and

the statements in this Form 10-K are not binding on the IRS or any court. Therefore, we cannot guarantee that we will qualify as a REIT, or that we will remain qualified as such in the future. If we were to fail to qualify as a REIT in any taxable year we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;

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- we also could be subject to the federal alternative minimum tax for tax years prior to 2018 and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as “rents from real property.” Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiary will be subject to tax as a regular corporation in the jurisdictions it operates.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating partnership’s income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Our taxable REIT subsidiaries will be subject to federal income tax, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm’s length terms.

We own an interest in one or more taxable REIT subsidiaries, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation 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 some 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 federal income tax as a regular C corporation. In addition, a 100% excise tax will be

imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's length basis.

For taxable years beginning after December 31, 2017, not more than 20% of the value of our total assets may be represented by securities of taxable REIT subsidiaries. We anticipate that the aggregate value of the stock and other securities of any taxable REIT subsidiaries that we own will be less than 20% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable asset test limitations.

To maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions. To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, determined without regard to the dividends paid deduction and excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid) each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Accordingly, we may not be able to retain sufficient cash flow from operations to meet our debt service requirements and repay our debt. Therefore, we may need to raise additional capital for these purposes, and we cannot assure you that a sufficient amount of capital will be available to us on favorable terms, or at all, when needed. Further, in order to maintain our REIT qualification and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the per share trading price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for these reduced rates. Under the 2017 Tax Reform Act, however, U.S. stockholders that are individuals, trusts and estates generally may deduct up to 20% of the ordinary dividends (e.g., dividends not designated as capital gain dividends or qualified dividend income) received from a REIT for taxable years beginning after December 31, 2017 and before January 1, 2026. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs (generally to 29.6% assuming the shareholder is subject to the 37% maximum rate), such tax rate is still higher than the tax rate applicable to corporate dividends that constitute qualified dividend income. Accordingly, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs.

The tax imposed on REITs engaging in "prohibited transactions" may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors. Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or

repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, 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.

The 2017 Tax Reform Act has significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their stockholders. Changes made by the 2017 Tax Reform Act that could affect the Company and its stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026;
- permanently eliminating the progressive corporate tax rate structure, which previously imposed a maximum corporate tax rate of 35%, and replacing it with a flat corporate tax rate of 21%;
- permitting a deduction for certain pass-through business income, including dividends received by our stockholders from us that are not designated by us as capital gain dividends or qualified dividend income, which will allow individuals, trusts, and estates to deduct up to 20% of such amounts for taxable years beginning after December 31, 2017 and before January 1, 2026;
- reducing the highest rate of withholding with respect to our distributions to non-U.S. stockholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting our deduction for net operating losses arising in taxable years beginning after December 31, 2017 to 80% of our REIT taxable income (determined without regard to the dividends paid deduction);
- generally limiting the deduction for net business interest expense in excess of 30% of a business's "adjusted taxable income," except for taxpayers that engage in certain real estate businesses (including most equity REITs) and elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system with longer depreciation periods); and
- eliminating the corporate alternative minimum tax.

Many of these changes that are applicable to us or our stockholders are effective beginning with our 2018 taxable year, without any transition periods or grandfathering for existing transactions. The legislation is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury and IRS, any of which could lessen or increase the impact of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While some of the changes made by the 2017 Tax Reform Act may adversely affect the Company in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. The Company continues to work with its tax advisors and auditors to determine the full impact that the 2017 Tax Reform Act as a whole will have on the Company.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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As of December 31, 2017, our consolidated portfolio consists of 151 wholly-owned properties located in Southern California infill markets totaling approximately 18.5 million rentable square feet.

The table below sets forth relevant information with respect to the operating properties in our consolidated portfolio as of December 31, 2017.

Property Address	City	Number of Buildings	Asset Type	Year Built / Renovated ⁽¹⁾	Rentable Square Feet	Percentage of Rentable Square Feet ⁽²⁾	Number of Occupancy Leases	Annualized Base Rent ⁽³⁾	Percentage of Total Annualized Rent ⁽⁴⁾	Annualized Base Rent per Square Foot ⁽⁵⁾	
Los Angeles - Greater San Fernando Valley											
901 W. Alameda Ave.	Burbank	1	Creative Office	1969 / 2009	44,924	0.2%	3	100.0%	\$1,493,051	1.0%	\$33.24
10635 Vanowen St.	Burbank	1	Warehouse / Light Manufacturing	1977	31,037	0.2%	4	100.0%	\$394,840	0.3%	\$12.72
2980 & 2990 N San Fernando Road	Burbank	2	Warehouse / Light Manufacturing	1950 / 2004	130,800	0.7%	1	100.0%	\$1,231,194	0.8%	\$9.41
9120 Mason Ave.	Chatsworth	1	Warehouse / Distribution	1967 / 1999	319,348	1.7%	1	100.0%	\$1,900,180	1.2%	\$5.95
21040 Nordoff Street; 9035 Independence Avenue; 21019 - 21045 Osborne Street	Chatsworth	7	Warehouse / Distribution	1979 / 1980	153,236	0.8%	9	90.6%	\$1,142,255	0.7%	\$8.23
700 Allen Ave. and 1830 Flower St.	Glendale	3	Creative Office	1949, 1961 / 2011-2012	25,168	0.1%	1	100.0%	\$781,820	0.5%	\$31.06
3550 Tyburn St., 3332, 3334, 3360, 3368, 3370, 3378, 3380, 3410, 3424 N. San Fernando Rd.	Los Angeles	8	Warehouse / Distribution	1966, 1992, 1993, 1994	474,183	2.6%	28	100.0%	\$5,211,285	3.3%	\$10.99
3116 W. Avenue 32	Los Angeles	1	Warehouse / Distribution	1974	100,500	0.6%	1	100.0%	\$964,800	0.6%	\$9.60
7900 Nelson Rd.	Los Angeles	1	Warehouse / Distribution	1998 / 2015	202,905	1.1%	2	100.0%	\$1,795,916	1.1%	\$8.85
121-125 N. Vinedo Ave.	Pasadena	1	Warehouse / Light	1953 / 1993	48,381	0.3%	1	100.0%	\$594,291	0.4%	\$12.28

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		Manufacturing									
89-91 N. San Gabriel Blvd., 2670-2674 Walnut Ave., 2675 Nina St.	Pasadena	5	Light Manufacturing / Flex	1947, 1985 / 2009	31,619	0.2%	4	100.0%	\$667,499	0.4%	\$21.11
1050 Arroyo Ave.	San Fernando	1	Warehouse / Light Manufacturing	1969 / 2012	76,993	0.4%	1	100.0%	\$609,045	0.4%	\$7.91
605 8th Street	San Fernando	1	Warehouse / Distribution	1991 / 2015	55,715	0.3%	1	100.0%	\$468,273	0.3%	\$8.40
24935 & 24955 Avenue Kearny	Santa Clarita	2	Warehouse / Distribution	1988	138,980	0.8%	2	100.0%	\$1,024,663	0.7%	\$7.37
15140 & 15148 Bledsoe St., 13065 - 13081 Bradley Ave.	Sylmar	2	Warehouse / Light Manufacturing	1969, 2008 / 2016	134,030	0.7%	9	100.0%	\$1,175,211	0.8%	\$8.77
18310-18330 Oxnard St.	Tarzana	2	Warehouse / Light Manufacturing	1973	75,288	0.4%	21	96.2 %	\$982,863	0.6%	\$13.58
28340 - 28400 Avenue Crocker	Valencia	1	Warehouse / Light Manufacturing	1987 / 2006	90,722	0.5%	2	100.0%	\$680,903	0.4%	\$7.51
28159 Avenue Stanford	Valencia	1	Light Industrial / Office	1987 / 2008	79,247	0.4%	12	86.8 %	\$1,043,782	0.7%	\$15.17
28901-28903 Avenue Paine ⁽⁶⁾	Valencia	1	Warehouse / Distribution	1999	111,346	0.6%	—	— %	\$—	— %	\$—
15041 Calvert St.	Van Nuys	1	Warehouse / Light Manufacturing	1971	81,282	0.4%	1	100.0%	\$517,530	0.3%	\$6.37
14723-14825 Oxnard St.	Van Nuys	6	Warehouse / Light Manufacturing	1964 / 1968	77,790	0.4%	64	100.0%	\$1,064,999	0.7%	\$13.69
8101-8117 Orion Ave.	Van Nuys	1	Warehouse / Light Manufacturing	1978	48,394	0.3%	25	100.0%	\$698,478	0.4%	\$14.43

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Property Address	City	Number of Buildings	Asset Type	Year Built / Renovated ⁽¹⁾	Rentable Square Feet	Percentage of Rentable Square Feet ⁽²⁾	Number of Leases	Occupancy	Annualized Base Rent ⁽³⁾	Percentage of Total Annualized Rent ⁽⁴⁾	Total Base Rent ⁽⁵⁾
6701 & 6711 Odessa Ave.	Van Nuys	2	Warehouse / Light Manufacturing	1970-1972 / 2012	29,544	0.2 %	2	100.0%	\$268,790	0.2 %	\$9.0
28454 Livingston Avenue	Valencia	1	Warehouse / Light Manufacturing	2007	134,287	0.7 %	1	100.0%	\$1,002,761	0.6 %	\$7.4
525 Park Avenue	San Fernando	1	Warehouse / Distribution	2003	63,403	0.3 %	2	100.0%	\$497,491	0.3 %	\$7.5
Los Angeles - Greater San Fernando Valley Total		54			2,759,122	14.9%	198	95.0 %	\$26,211,920	16.7%	\$10.0
Los Angeles - San Gabriel Valley											
425 S. Hacienda Blvd.	City of Industry	1	Warehouse / Light Manufacturing	1997	51,823	0.3 %	1	100.0%	\$411,876	0.3 %	\$7.5
14955-14971 E. Salt Lake Ave	City of Industry	1	Warehouse / Light Manufacturing	1979	126,036	0.7 %	5	100.0%	\$1,047,964	0.7 %	\$8.3
15241 - 15277, 15317 - 15339 Don Julian Rd.	City of Industry	2	Warehouse / Distribution	1965, 2005 / 2003	241,248	1.3 %	15	100.0%	\$2,545,364	1.6 %	\$10.0
15715 Arrow Highway	Irwindale	1	Light Manufacturing / Flex	1989	76,000	0.4 %	1	100.0%	\$1,047,297	0.7 %	\$13.0
15705, 15709 Arrow Highway & 5220 Fourth St.	Irwindale	3	Warehouse / Light Manufacturing	1987	69,592	0.4 %	40	100.0%	\$810,607	0.5 %	\$11.0
16321 Arrow Hwy.	Irwindale	3	Warehouse / Light Manufacturing	1955 / 2001	64,296	0.3 %	1	100.0%	\$603,959	0.4 %	\$9.0
4832-4850 Azusa Canyon Road	Irwindale	1	Warehouse / Distribution	2016	87,421	0.5 %	2	100.0%	\$697,440	0.4 %	\$7.5
14250-14278 Valley Blvd.	La Puente	8	Warehouse / Light	1974 / 2007	99,735	0.5 %	25	97.5 %	\$992,869	0.6 %	\$10.0

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13914-13932 Valley Blvd.	La Puente	2	Manufacturing Warehouse / Light Manufacturing	1978, 1988 / 2012	58,084	0.3 %	25	83.8 %	\$481,515	0.3 %	\$9.9
1400 South Shamrock	Monrovia	1	Light Manufacturing / Flex	1957, 1962 / 2004	67,838	0.4 %	1	100.0%	\$964,081	0.6 %	\$14.0
280 West Bonita Avenue 2743	Pomona	1	Warehouse / Distribution	1983	119,898	0.7 %	1	100.0%	\$575,510	0.4 %	\$4.0
Thompson Creek Road	Pomona	1	Warehouse / Distribution	1983	245,961	1.3 %	1	100.0%	\$1,475,766	0.9 %	\$6.0
3880 West Valley Blvd.	Pomona	1	Warehouse / Light Manufacturing	1980 / 2017	108,550	0.6 %	1	100.0%	\$911,820	0.6 %	\$8.0
16425 Gale Avenue	City of Industry	1	Warehouse / Distribution	1976	325,800	1.8 %	2	100.0%	\$1,522,932	1.0 %	\$4.0
10750-10826 Lower Azusa Road	El Monte	4	Warehouse / Distribution	1975	79,050	0.4 %	12	94.9 %	\$710,716	0.5 %	\$9.0
14742-14750 Nelson Avenue ⁽⁶⁾	City of Industry	2	Warehouse / Distribution	1969	147,360	0.8 %	—	— %	\$—	— %	\$—
Los Angeles - San Gabriel Valley Total		33			1,968,692	10.7 %	133	91.7 %	\$14,799,716	9.5 %	\$8.0
Los Angeles - Central											
6020 Sheila St.	Commerce	1	Warehouse / Distribution	2000	70,877	0.4 %	1	100.0%	\$1,037,669	0.7 %	\$14.0
6700 S Alameda St.	Huntington Park	1	Warehouse / Distribution	1990 / 2008	78,280	0.4 %	1	100.0%	\$1,146,052	0.7 %	\$14.0
679-691 S Anderson St.	Los Angeles	1	Warehouse / Light Manufacturing	1992 / 2017	47,490	0.3 %	3	100.0%	\$565,561	0.4 %	\$11.0
1825-1845 S. Soto Street	Los Angeles	2	Warehouse / Light Manufacturing	1993	25,040	0.1 %	1	100.0%	\$210,120	0.1 %	\$8.0
8542 Slauson Avenue	Pico Rivera	1	Light Industrial / Office	1964	24,679	0.1 %	1	100.0%	\$234,156	0.2 %	\$9.0

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8315 Hanan Way	Pico Rivera	1	Warehouse / Distribution	1976	100,692	0.6%	1	100.0%	\$702,481	0.4%	\$6.98
1938-1946 E. 46th St.	Vernon	3	Warehouse / Light Manufacturing	1961, 1983 / 2008-2010	190,663	1.0%	3	100.0%	\$1,463,087	0.9%	\$7.67
Los Angeles - Central Total		10			537,721	2.9%	11	100.0%	\$5,359,126	3.4%	\$9.97
Los Angeles - Mid-Counties											
16221 Arthur St.	Cerritos	1	Warehouse / Light Manufacturing	1979	61,372	0.3%	1	100.0%	\$363,548	0.2%	\$5.92
9220-9268 Hall Rd.	Downey	1	Warehouse / Light Manufacturing	2008	176,405	1.0%	40	100.0%	\$1,650,882	1.1%	\$9.36
14820-14830 Carmenita Road	Norwalk	3	Warehouse / Distribution	1970, 2000	198,062	1.1%	4	100.0%	\$1,639,311	1.0%	\$8.28
9615 Norwalk Blvd. ⁽⁶⁾	Santa Fe Springs	2	Warehouse / Distribution	1975	38,362	0.2%	1	100.0%	\$1,021,070	0.7%	\$26.62
9641 - 9657 Santa Fe Springs Rd.	Santa Fe Springs	3	Warehouse / Distribution	1982 / 2009	106,995	0.6%	4	100.0%	\$979,788	0.6%	\$9.16
10701-10719 Norwalk Blvd.	Santa Fe Springs	2	Warehouse / Distribution	2004	58,056	0.3%	5	100.0%	\$537,592	0.3%	\$9.26
10950 Norwalk Blvd & 12241 Lakeland Rd.	Santa Fe Springs	1	Warehouse / Light Manufacturing	1982	18,995	0.1%	1	100.0%	\$324,635	0.2%	\$17.09
12247 Lakeland Road	Santa Fe Springs	1	Warehouse / Light Manufacturing	1971 / 2016	24,875	0.1%	1	100.0%	\$328,977	0.2%	\$13.23
12907 Imperial Highway	Santa Fe Springs	1	Warehouse / Distribution	1997	101,080	0.5%	1	100.0%	\$707,760	0.5%	\$7.00
14944, 14946,	Santa Fe Springs	3	Warehouse / Light	1978 / 2012	85,950	0.5%	25	100.0%	\$765,391	0.5%	\$8.91

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14948 Shoemaker Ave. Los Angeles - Mid-Counties Total		18	Manufacturing		870,152	4.7%	83	100.0%	\$8,318,954	5.3%	\$9.56
Los Angeles - South Bay											
1065 E. Walnut Ave.	Carson	1	Warehouse / Light Manufacturing	1974	172,420	0.9%	2	100.0%	\$2,010,377	1.3%	\$11.66
18118-18120 S. Broadway 17000	Carson	3	Warehouse / Distribution	1957 / 1989, 2017	78,183	0.4%	5	100.0%	\$707,352	0.5%	\$9.05
Kingsview Ave/800 Sandhill Ave 311, 319, 329 & 333 157th Street 13225 S.	Carson	1	Warehouse / Distribution	1984	100,121	0.5%	2	100.0%	\$840,226	0.5%	\$8.39
Western Avenue 240 W Ivy Avenue 687 N Eucalyptus Avenue 1661 240th St. 11120, 11160, 11200 Hindry Ave 15401 S. Figueroa Street ⁽⁶⁾ 4175 E Conant Street 2588 & 2605 Industry Way 6423-6431 & 6407-6119 Alondra Blvd.	Gardena	4	Warehouse / Light Manufacturing	1960-1971 / 2006-2011	48,000	0.3%	3	58.3 %	\$237,981	0.2%	\$8.50
	Gardena	1	Warehouse / Light Manufacturing	1955	21,010	0.1%	1	100.0%	\$104,388	0.1%	\$4.97
	Inglewood	1	Warehouse / Distribution	1981	45,685	0.3%	5	96.0 %	\$471,070	0.3%	\$10.74
	Inglewood	1	Warehouse / Distribution	2017	143,436	0.8%	1	100.0%	\$2,202,261	1.4%	\$15.35
	Los Angeles	1	Warehouse / Distribution	1975 / 1995	96,616	0.5%	1	100.0%	\$671,453	0.4%	\$6.95
	Los Angeles	3	Warehouse / Distribution	1992 / 1994	63,654	0.3%	14	100.0%	\$974,667	0.6%	\$15.31
	Los Angeles	1	Warehouse / Light Manufacturing	1964	38,584	0.2%	1	100.0%	\$194,838	0.1%	\$5.05
	Long Beach	1	Light Industrial / Office	2015	142,593	0.8%	1	100.0%	\$1,895,023	1.2%	\$13.29
	Lynwood	2	Warehouse / Light Manufacturing	1969 / 1971	164,662	0.9%	1	100.0%	\$1,394,271	0.9%	\$8.47
	Paramount	2	Warehouse / Light Manufacturing	1986	30,224	0.2%	10	100.0%	\$290,028	0.2%	\$9.60

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7110 Rosecrans Ave.	Paramount	1	Warehouse / Light Manufacturing	1972 / 2015	73,439	0.4 %	2	100.0%	\$575,523	0.4 %	\$
2301-2329, 2331-2359, 2361-2399, 2370-2398 & 2332-2366 E Pacifica Place;	Rancho Dominguez	6	Warehouse / Distribution	1989	1,170,806	6.3 %	23	99.0 %	\$7,740,313	4.9 %	\$
20001-20021 Rancho Way											
19402 S. Susana Road	Rancho Dominguez	1	Warehouse / Light Manufacturing	1957	15,433	0.1 %	1	100.0%	\$236,520	0.1 %	\$
20920-20950 Normandie Ave.	Torrance	2	Warehouse / Light Manufacturing	1989	49,519	0.3 %	29	100.0%	\$626,226	0.4 %	\$
24105 Frampton Avenue	Torrance	1	Warehouse / Light Manufacturing	1974 / 2016	49,841	0.3 %	1	100.0%	\$418,904	0.3 %	\$
1500-1510 W. 228th St.	Torrance	8	Warehouse / Light Manufacturing	1963 / 1968, 2017	88,971	0.5 %	9	96.3 %	\$819,445	0.5 %	\$
301-445 Figueroa Street ⁽⁶⁾	Wilmington	1	Warehouse / Distribution	1972	133,650	0.7 %	6	41.1 %	\$471,376	0.3 %	\$
Los Angeles - South Bay Total		42			2,726,847	14.8 %	118	95.8 %	\$22,882,242	14.6 %	\$
Orange County - North 1100-1170 Gilbert St. & 2353-2373 La Palma Ave.	Anaheim	6	Warehouse / Light Manufacturing	1972 / 1990 / 2013	120,313	0.7 %	21	100.0%	\$1,391,633	0.9 %	\$
1631 N. Placentia Ave., 2350 - 2384 E. Orangethorpe Ave.	Anaheim	2	Warehouse / Light Manufacturing	1973 / 2007	62,395	0.3 %	24	81.4 %	\$651,376	0.4 %	\$
	Anaheim	1		1987	119,692	0.6 %	2	90.2 %	\$870,309	0.5 %	\$

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5235 East Hunter Ave.			Warehouse / Light Manufacturing										
2300-2386 East Walnut Ave.	Fullerton	3	Warehouse / Distribution	1985-1986 / 2005	161,286	0.9 %	16	100.0%	\$1,478,383	0.9 %	\$		
1210 N Red Gum St	Anaheim	1	Warehouse / Light Manufacturing	1985	64,570	0.3 %	1	100.0%	\$452,976	0.3 %	\$		
1600 Orangethorpe & 1335-1375 Acacia	Fullerton	5	Warehouse / Distribution	1968 / 1985	345,756	1.9 %	9	95.7 %	\$2,440,816	1.6 %	\$		
Orange County - North Total		18			874,012	4.7 %	73	95.6 %	\$7,285,493	4.6 %	\$		
Orange County - West													
1700 Saturn Way	Seal Beach	1	Warehouse / Light Manufacturing	2006	170,865	0.9 %	1	100.0%	\$1,516,293	0.9 %	\$		
17311 Nichols Lane	Huntington Beach	1	Warehouse / Light Manufacturing	1993 / 2014	114,912	0.6 %	1	100.0%	\$898,037	0.6 %	\$		
5421 Argosy Avenue	Huntington Beach	1	Warehouse / Light Manufacturing	1976	35,321	0.2 %	1	100.0%	\$309,000	0.2 %	\$		
12131 Western Avenue	Garden Grove	1	Warehouse / Distribution	1987 / 2007, 2017	207,953	1.1 %	1	100.0%	\$1,871,577	1.2 %	\$		
12622-12632 Monarch Street	Garden Grove	2	Warehouse / Distribution	1967	121,225	0.7 %	3	100.0%	\$894,382	0.6 %	\$		
Orange County - West Total		6			650,276	3.5 %	7	100.0%	\$5,489,289	3.5 %	\$		
Orange County - South													
20531 Crescent Bay Dr.	Lake Forest	1	Warehouse / Light Manufacturing	1998	46,178	0.2 %	1	100.0%	\$459,933	0.3 %	\$		
20 Icon	Lake Forest	1	Warehouse / Distribution	1999 / 2015	102,299	0.6 %	1	100.0%	\$1,175,907	0.7 %	\$		
9 Holland	Irvine	1	Warehouse / Distribution	1980 / 2013	180,981	1.0 %	2	100.0%	\$1,339,794	0.9 %	\$		

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Orange County - South Total		3			329,458	1.8%	4	100.0%	\$2,975,634	1.9%	\$9.03
Orange County - Airport											
1601 Alton Pkwy. ⁽⁶⁾	Irvine	1	Warehouse / Light Manufacturing	1974	124,988	0.7%	4	87.3 %	\$1,160,348	0.7%	\$10.63
3441 West MacArthur Blvd.	Santa Ana	1	Warehouse / Distribution	1973	122,060	0.7%	1	100.0%	\$875,024	0.6%	\$7.17
600-650 South Grand Ave.	Santa Ana	6	Warehouse / Light Manufacturing	1988	101,210	0.6%	53	86.4 %	\$1,041,173	0.7%	\$11.91
3720-3750 W. Warner Ave.	Santa Ana	1	Warehouse / Light Manufacturing	1973 / 2008	38,570	0.2%	14	92.7 %	\$422,548	0.3%	\$11.81
200-220 South Grand Ave.	Santa Ana	1	Warehouse / Light Manufacturing	1973 / 2008	27,200	0.1%	8	93.4 %	\$292,576	0.2%	\$11.52
2610 & 2701 S. Birch Street	Santa Ana	1	Warehouse / Light Manufacturing	1965 / 2016	98,379	0.5%	3	100.0%	\$1,108,674	0.7%	\$11.27
2700 2722 South Fairview Street ⁽⁶⁾	Santa Ana	1	Warehouse / Light Manufacturing	1964 / 1984	116,575	0.6%	3	100.0%	\$1,187,913	0.7%	\$10.19
Orange County - Airport Total		12			628,982	3.4%	86	94.6 %	\$6,088,256	3.9%	\$10.24
San Bernardino - Inland Empire West											
13231 Slover Avenue	Fontana	1	Warehouse / Distribution	1990	109,463	0.6%	2	100.0%	\$656,441	0.4%	\$6.00
10509 Business Drive	Fontana	1	Warehouse / Distribution	1989	130,788	0.7%	2	100.0%	\$884,232	0.6%	\$6.76
8900-8980 Benson Ave., 5637 Arrow Highway	Montclair	5	Warehouse / Light Manufacturing	1974	88,016	0.5%	49	93.5 %	\$886,976	0.6%	\$10.78

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1400 S. Campus Ave.	Ontario	2	Warehouse / Light Manufacturing	1964-1966, 1973, 1987	107,861	0.6%	1	100.0%	\$491,846	0.3%	\$4.56
601-605 S. Milliken Ave.	Ontario	3	Light Industrial / Office	1987 / 1988	128,313	0.7%	27	100.0%	\$1,141,275	0.7%	\$8.89
845, 855, 865 S Milliken Ave & 4317, 4319 Santa Ana St.	Ontario	5	Light Industrial / Office	1985	113,612	0.6%	20	100.0%	\$796,566	0.5%	\$7.01
710 South Dupont Avenue & 4051 Santa Ana Street	Ontario	2	Warehouse / Light Manufacturing	2001	111,890	0.6%	5	100.0%	\$882,919	0.6%	\$7.89
Safari Business Park(7) 3002-3008, 3022-3030, 3042-3050 & 3062-3072	Ontario	16	Warehouse / Light Manufacturing	1988-1996	1,138,090	6.2%	80	98.8 %	\$8,484,532	5.4%	\$7.55
Inland Empire Boulevard 302	Ontario	4	Warehouse / Distribution	1981	218,407	1.2%	10	100.0%	\$1,357,971	0.9%	\$6.22
Rockefeller Avenue 4355	Ontario	1	Warehouse / Distribution	2000	99,282	0.5%	1	100.0%	\$667,175	0.4%	\$6.72
Brickell Street 9160 - 9220	Ontario	1	Warehouse / Distribution	2004	95,644	0.5%	1	100.0%	\$439,205	0.3%	\$4.59
Cleveland Ave., 10860 6th St.	Rancho Cucamonga	3	Light Manufacturing / Flex	1988-1989 / 2006	129,309	0.7%	5	100.0%	\$1,961,766	1.2%	\$15.17
9805 6th St.	Rancho Cucamonga	2	Warehouse / Distribution	1986	81,377	0.4%	4	100.0%	\$692,881	0.4%	\$8.51
10700 Jersey Blvd. 15996	Rancho Cucamonga	7	Light Industrial / Office	1988-1989	107,568	0.6%	57	97.3 %	\$1,099,875	0.7%	\$10.51
Jurupa Avenue 11127	Fontana	1	Warehouse / Distribution	2015	212,660	1.2%	1	100.0%	\$1,129,012	0.7%	\$5.31
Catawba Avenue 11190	Fontana	1	Warehouse / Distribution	2015	145,750	0.8%	1	100.0%	\$774,632	0.5%	\$5.31
White Birch	Rancho Cucamonga	1	Warehouse / Distribution	1986	201,035	1.1%	1	100.0%	\$1,037,340	0.7%	\$5.16

Drive

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12320 4th Street	Rancho Cucamonga	2	Warehouse / Distribution	1997/2003	284,676	1.5 %	1	100.0%	\$1,254,540	0.8 %	\$4.4
San Bernardino - Inland Empire West Total		58			3,503,741	19.0%	268	99.4 %	\$24,639,184	15.7%	\$7.0
San Bernardino - Inland Empire East											
6750 Unit B-C - 6780 Central Ave.	Riverside	4	Warehouse / Light Manufacturing	1978	63,675	0.3 %	6	100.0%	\$416,521	0.3 %	\$6.5
Ventura County											
300 South Lewis Rd.	Camarillo	1	Warehouse / Distribution	1960-1963 / 2006	215,128	1.2 %	8	89.0 %	\$1,605,404	1.0 %	\$8.3
201 Rice Ave. & 2400-2420 Celsius	Oxnard	3	Warehouse / Distribution	2008	137,785	0.7 %	23	100.0%	\$1,274,169	0.8 %	\$9.2
610-760 W Hueneme Rd & 5651-5721 Perkins Rd	Oxnard	2	Warehouse / Light Manufacturing	1985	87,181	0.5 %	22	100.0%	\$919,157	0.6 %	\$10.0
1800 Eastman Ave	Oxnard	1	Warehouse / Distribution	2009	33,332	0.2 %	1	100.0%	\$240,000	0.2 %	\$7.2
2220-2260 Camino del Sol	Oxnard	1	Warehouse / Distribution	2005	69,891	0.4 %	2	100.0%	\$512,182	0.3 %	\$7.3
2350-2380 Eastman Ave	Oxnard	4	Warehouse / Distribution	2003	55,321	0.3 %	26	100.0%	\$591,766	0.4 %	\$10.0
2360-2364 E. Sturgis Road	Oxnard	3	Warehouse / Distribution	1989	49,641	0.3 %	16	90.7 %	\$409,595	0.3 %	\$9.1
3000 Paseo Mercado, 3120-3150 Paseo Mercado	Oxnard	5	Warehouse / Distribution	1988	132,187	0.7 %	24	97.4 %	\$1,136,174	0.7 %	\$8.8

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701 Del Norte Blvd. 2950	Oxnard	1	Warehouse / Light Manufacturing	2000	125,514	0.7 %	15	95.8 %	\$1,087,741	0.7 %	\$9.0
Madera Rd.	Simi Valley	1	Warehouse / Distribution	1988 / 2005	136,065	0.7 %	1	100.0%	\$849,033	0.5 %	\$6.2
21-29 West Easy St.	Simi Valley	5	Warehouse / Light Manufacturing	1991 / 2006	102,530	0.5 %	19	100.0%	\$1,119,892	0.7 %	\$10
2390 Ward Avenue	Simi Valley	1	Warehouse / Light Manufacturing	1989	138,700	0.7 %	2	100.0%	\$986,244	0.6 %	\$7.1
3233 Mission Oaks Blvd ⁽⁶⁾	Camarillo	2	Warehouse / Distribution	1980-1982 / 2014	461,210	2.5 %	5	54.9 %	\$2,153,935	1.4 %	\$8.5
Ventura County Total		30			1,744,485	9.4 %	164	86.0 %	\$12,885,292	8.2 %	\$8.5
San Diego - North County											
6200 & 6300 Yarrow Dr.	Carlsbad	2	Warehouse / Light Manufacturing	1977-1988 / 2006	151,433	0.8 %	4	100.0%	\$1,534,241	1.0 %	\$10
2431-2465 Impala Dr.	Carlsbad	7	Light Manufacturing / Flex	1983 / 2006	89,955	0.5 %	9	93.3 %	\$1,206,044	0.8 %	\$14
6231 & 6241 Yarrow Dr.	Carlsbad	2	Warehouse / Light Manufacturing	1977 / 2006	80,441	0.4 %	6	92.6 %	\$742,515	0.5 %	\$9.9
5803 Newton Dr.	Carlsbad	1	Light Manufacturing / Flex	1997-1999 / 2009	71,602	0.4 %	4	100.0%	\$778,895	0.5 %	\$10
929, 935, 939 & 951 Poinsettia Ave.	Vista	4	Warehouse / Light Manufacturing	1989 / 2007	121,892	0.7 %	10	100.0%	\$1,008,884	0.6 %	\$8.2
2575 Pioneer Ave.	Vista	1	Warehouse / Light Manufacturing	1988 / 2006	68,935	0.4 %	7	92.8 %	\$605,235	0.4 %	\$9.4
3927 Oceanic Drive	Oceanside	1	Warehouse / Light Manufacturing	2004	54,740	0.3 %	1	100.0%	\$558,348	0.3 %	\$10
San Diego - North County Total		18			638,998	3.5 %	41	97.4 %	\$6,434,162	4.1 %	\$10

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Property Address	City	Number of Buildings	Asset Type	Year Built / Renovated ⁽¹⁾	Rentable Square Feet	Percentage of Rentable Square Feet ⁽²⁾	Number of Leases	Occupancy	Annualized Base Rent ⁽³⁾	Percent of Total Annual Rent ⁽⁴⁾
San Diego - Central 12720-12860 Danielson Ct.	Poway	6	Light Industrial / Office	1999	112,062	0.6 %	17	100.0%	\$1,191,171	0.8 %
8902-8940 Activity Rd	San Diego	5	Light Industrial / Office	1987 / 1997	112,501	0.6 %	36	92.8 %	\$1,538,027	1.0 %
6970-7170 & 7310-7374 Convoy Ct.	San Diego	13	Warehouse / Distribution	1971	187,763	1.0 %	52	97.8 %	\$2,794,015	1.8 %
9340 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	86,564	0.5 %	3	85.1 %	\$746,595	0.5 %
9404 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	46,846	0.3 %	1	100.0%	\$487,386	0.3 %
9455 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	96,840	0.5 %	2	100.0%	\$852,225	0.5 %
9755 Distribution Ave.	San Diego	1	Warehouse / Light Manufacturing	1974	47,666	0.3 %	2	100.0%	\$431,073	0.3 %
9855 Distribution Ave	San Diego	1	Warehouse / Light Manufacturing	1983	60,819	0.3 %	2	100.0%	\$601,701	0.4 %
10439-10477 Roselle St.	San Diego	10	Warehouse / Light Manufacturing	1970 / 2007	97,967	0.5 %	41	91.7 %	\$1,282,197	0.8 %
8525 Camino Santa Fe	San Diego	1	Warehouse / Distribution	1986	59,399	0.3 %	3	76.0 %	\$430,720	0.3 %
13550 Stowe Drive	San Diego	1	Warehouse / Distribution	1991	112,000	0.6 %	1	100.0%	\$1,140,684	0.7 %
9190 Activity Road	San Diego	1	Warehouse / Distribution	1986	83,520	0.5 %	1	100.0%	\$815,523	0.5 %
San Diego - Central Total		42			1,103,947	6.0 %	161	95.7 %	\$12,311,317	7.9 %
San Diego - South County		2		1969 / 2008	76,701	0.4 %	14	95.1 %	\$689,859	0.4 %

131 W. 33rd National Warehouse /
 St. City Light
 Manufacturing

Consolidated
 Portfolio -
 Total /
 Weighted
 Average

151
 Properties 350

18,476,809 100.0% 1,367 95.5 % \$156,786,965 100.0%

- (1) Year renovated reflects the most recent year in which a material upgrade, alteration or addition to building systems was completed, resulting in increased marketability of the property.
- (2) Calculated as rentable square feet for such property divided rentable square feet for the total consolidated portfolio as of December 31, 2017.
- (3) Calculated as monthly contracted base rent (before rent abatements) per the terms of the lease(s) at such property, as of December 31, 2017, multiplied by 12. Excludes billboard and antenna revenue and tenant reimbursements.
- (4) Calculated as annualized base rent for such property divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.
- (5) Calculated as annualized base rent for such property divided by occupied square feet for such property as of December 31, 2017.
- (6) This property is undergoing repositioning, redevelopment, or lease-up as of December 31, 2017, or is expected to be placed under repositioning in 2018.
 Safari Business Park consists of 16 buildings with the following addresses: 1845, 1885, 1901-1957 and 2037-2077
 Vineyard Avenue; 1906-1946 and 2048-2058 Cedar Street; 1900-1956, 1901-1907, 1911-1951, 2010-2020 and
 (7) 2030-2071 Lynx Place; 1810, 1840-1898, 1910-1960 and 2030-2050 Carlos Avenue; 2010-2057 and 2060-2084
 Francis Street.

Property Diversification

The following table sets forth information relating to diversification by property type in our portfolio based on total annualized rent as of December 31, 2017.

Property Type	Number of Properties	Occupancy ⁽¹⁾	Rentable Square Feet	Percentage of Total Rentable Square Feet		Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾		Annualized Base Rent per Square Foot ⁽⁴⁾
Warehouse / Distribution	62	93.5 %	9,859,876	53.4 %		\$ 74,238	47.4 %		\$ 8.05
Warehouse / Light Manufacturing	73	97.8 %	7,160,926	38.7 %		64,109	40.9 %		\$ 9.15
Light Industrial / Office ⁽⁵⁾	10	97.8 %	989,684	5.4 %		11,814	7.5 %		\$ 12.20
Light Manufacturing / Flex	6	98.7 %	466,323	2.5 %		6,626	4.2 %		\$ 14.39
Total / Weighted Average	151	95.5 %	18,476,809	100.0 %		\$ 156,787	100.0 %		\$ 8.88

(1) Calculated as the average occupancy at such properties as of December 31, 2017.

(2) Calculated for each property as the monthly contracted base rent (before rent abatements) per the terms of the lease(s) at such property, as of December 31, 2017, multiplied by 12, and then aggregated by property type.

Excludes billboard and antenna revenue and tenant reimbursements. Amounts in thousands.

(3) Calculated for each property type as annualized base rent for such property type divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.

(4) Calculated for each property type as annualized base rent for such property type divided by occupied square feet for such property type as of December 31, 2017.

(5) Includes two properties (901 West Alameda Avenue and 700 Allen Avenue) aggregating 70,092 rentable square feet that are classified as Creative Office.

Uncommenced Leases

Uncommenced leases as of December 31, 2017, reflect signed new and renewal leases that have not yet commenced as of December 31, 2017. Differences between our occupancy rates and leased rates as disclosed throughout this Annual Report on Form 10-K, are attributed to our uncommenced leases. The following table sets forth information relating to our uncommenced leases as of December 31, 2017.

Market	Uncommenced Renewal Leases: Leased Square Feet ⁽¹⁾	Uncommenced New Leases: Leased Square Feet ⁽²⁾	Percent Leased ⁽³⁾	Annualized Base Rent ⁽⁴⁾	Annualized Base Rent: Uncommenced and Leases ⁽⁵⁾	Annualized Base Rent (Commenced and Uncommenced Leases) per Leased Square Foot ⁽⁶⁾	Annualized Base Rent (Commenced and Uncommenced Leases) per Leased Square Foot ⁽⁷⁾
Los Angeles County	600,807	7,149	95.4 %	\$ 77,572	\$ 802	\$ 78,374	\$ 9.27
Orange County	86,974	1,920	97.2 %	21,839	88	21,927	\$ 9.09
San Bernardino County	128,700	1,440	99.4 %	25,056	134	25,190	\$ 7.10
San Diego County	90,588	—	96.3 %	19,435	51	19,486	\$ 11.13
Ventura County	107,447	43,927	88.5 %	12,885	413	13,298	\$ 8.62
Total/Weighted Average	1,014,516	54,436	95.8 %	\$ 156,787	\$ 1,488	\$ 158,275	\$ 8.94

- (1) Represents the square footage of renewal leases that have been signed but have not yet commenced as of December 31, 2017.
- (2) Represents the square footage of new leases that have been signed but have not yet commenced as of December 31, 2017.
- (3) Calculated as square footage under commenced and uncommenced leases (net of renewal space) as of December 31, 2017, divided by total rentable square feet.
- (4) Represents annualized base rent for leases that have commenced as of December 31, 2017, at each property (calculated as monthly contracted base rent (before rent abatements) per the terms of the lease(s) at such property, as of December 31, 2017, multiplied by 12), aggregated by market. Excludes billboard and antenna revenue and tenant reimbursements. Amounts in thousands.

Annualized base rent from uncommenced leases includes: (i) \$525,000 of annualized base rent under uncommenced new leases (calculated by multiplying the first full month of contractual base rents (before rent abatements) to be received under uncommenced new leases, by 12) and (ii) \$963,000 of incremental annualized (5) base rent under uncommenced renewal leases (calculated as the difference between (a) the first full month of contractual base rents (before rent abatements) to be received under uncommenced renewal leases and (b) the monthly contracted base rents under commenced leases (for the same space) as of December 31, 2017, multiplied by 12.). Amounts in thousands.

(6) Calculated by adding annualized base rent for commenced leases (as described in note (4) above) and annualized base rent from uncommenced leases (as described in note (5) above). Amounts in thousands.

(7) Calculated by dividing annualized base rent from commenced leases and uncommenced leases (as described in note (6) above), by leased square footage under commenced and uncommenced leases (net of renewal space) as of December 31, 2017.

Geographic Diversification

The following table sets forth information relating to geographic diversification by county and submarket in our portfolio based on total annualized base rent as of December 31, 2017.

Market	Number of Properties	Occupancy ⁽¹⁾	Rentable Square Feet	Percentage of Total		Percentage Annualized		
				Rentable Square Feet	Base Rent ⁽²⁾	Base Rent ⁽³⁾	Annualized Rent per Square Foot ⁽⁴⁾	
Los Angeles County								
Central LA	7	100.0	% 537,721	2.9	% \$ 5,359	3.4	% \$ 9.97	
Greater San Fernando Valley	25	95.0	% 2,759,122	14.9	% 26,212	16.7	% \$ 10.00	
Mid-Counties	10	100.0	% 870,152	4.7	% 8,319	5.3	% \$ 9.56	
San Gabriel Valley	16	91.7	% 1,968,692	10.7	% 14,800	9.5	% \$ 8.20	
South Bay	20	95.8	% 2,726,847	14.8	% 22,882	14.6	% \$ 8.76	
Subtotal / Weighted Average	78	95.3	% 8,862,534	48.0	% \$ 77,572	49.5	% \$ 9.19	
Orange County								
North Orange County	6	95.6	% 874,012	4.7	% \$ 7,286	4.6	% \$ 8.72	
OC Airport	7	94.6	% 628,982	3.4	% 6,088	3.9	% \$ 10.24	
South Orange County	3	100.0	% 329,458	1.8	% 2,976	1.9	% \$ 9.03	
West Orange County	5	100.0	% 650,276	3.5	% 5,489	3.5	% \$ 8.44	
Subtotal / Weighted Average	21	97.1	% 2,482,728	13.4	% \$ 21,839	13.9	% \$ 9.06	
San Bernardino County								
Inland Empire East	1	100.0	% 63,675	0.3	% \$ 417	0.3	% \$ 6.54	
Inland Empire West	18	99.4	% 3,503,741	19.0	% 24,639	15.7	% \$ 7.08	
Subtotal / Weighted Average	19	99.4	% 3,567,416	19.3	% \$ 25,056	16.0	% \$ 7.07	
Ventura County								
Ventura	13	86.0	% 1,744,485	9.4	% \$ 12,885	8.2	% \$ 8.59	
Subtotal / Weighted Average	13	86.0	% 1,744,485	9.4	% \$ 12,885	8.2	% \$ 8.59	
San Diego County								
Central San Diego	12	95.7	% 1,103,947	6.0	% \$ 12,311	7.9	% \$ 11.65	
North County San Diego	7	97.4	% 638,998	3.5	% 6,434	4.1	% \$ 10.34	
South County San Diego	1	95.1	% 76,701	0.4	% 690	0.4	% \$ 9.46	
Subtotal / Weighted Average	20	96.3	% 1,819,646	9.9	% \$ 19,435	12.4	% \$ 11.10	
Consolidated Portfolio - Total / Weighted Average	151	95.5	% 18,476,809	100.0	% \$ 156,787	100.0	% \$ 8.88	

(1) Calculated as the average occupancy at such properties as of December 31, 2017.

Represents annualized base rent for each property (calculated as monthly contracted base rent (before rent

(2) abatements) per the terms of the lease(s) at such property, as of December 31, 2017, multiplied by 12), aggregated by market. Excludes billboard and antenna revenue and tenant reimbursements. Amounts in thousands.

(3) Calculated as annualized base rent for such market divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.

(4) Calculated as annualized base rent for such market divided by occupied square feet for such market as of December 31, 2017.

Industry Diversification

The following table sets forth information relating to tenant diversification by industry in our portfolio based on total annualized base rent as of December 31, 2017.

Industry	Number of Leases ⁽¹⁾	Occupied Square Feet	Percentage of Total Occupied Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Warehousing	337	5,013,818	28.4 %	\$ 40,029	25.5 %	\$ 7.98
Wholesale Trade	295	4,034,798	22.9 %	33,482	21.4 %	\$ 8.30
Manufacturing	123	2,403,780	13.6 %	20,436	13.0 %	\$ 8.50
Retail Trade	112	1,308,324	7.4 %	11,022	7.0 %	\$ 8.42
Professional, Scientific, and Technical Services	101	855,412	4.8 %	9,589	6.1 %	\$ 11.21
Transportation	33	931,318	5.3 %	9,418	6.0 %	\$ 10.11
Construction	112	599,091	3.4 %	6,017	3.9 %	\$ 10.04
Other	70	472,966	2.7 %	4,772	3.1 %	\$ 10.09
Information	33	319,938	1.8 %	4,209	2.7 %	\$ 13.16
Public Administration	9	241,408	1.4 %	3,421	2.2 %	\$ 14.17
Repair and Maintenance	36	342,197	1.9 %	3,248	2.1 %	\$ 9.49
Administrative and Support and Waste Management and Remediation Services	44	312,373	1.8 %	3,167	2.0 %	\$ 10.14
Paper/Printing	12	303,820	1.7 %	2,487	1.6 %	\$ 8.18
Health Care and Social Assistance	23	244,365	1.4 %	2,409	1.5 %	\$ 9.86
Arts, Entertainment, and Recreation	20	146,096	0.8 %	2,238	1.4 %	\$ 15.32
Real Estate	7	121,134	0.7 %	843	0.5 %	\$ 6.96
Total / Weighted Average	1,367	17,650,838	100.0 %	\$ 156,787	100.0 %	\$ 8.88

(1) A single lease may cover space in more than one building.

Calculated for each lease as the monthly contracted base rent (before rent abatements) per the terms of such lease, (2) as of December 31, 2017, multiplied by 12, and then aggregated by industry. Excludes billboard and antenna revenue. Amounts in thousands.

(3) Calculated as annualized base rent for tenants in such industry divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.

(4) Calculated as annualized base rent for tenants in such industry divided by occupied square feet for tenants in such industry as of December 31, 2017.

Tenants

Our portfolio of properties has a stable and diversified tenant base. As of December 31, 2017, our consolidated properties were 95.8% leased to tenants in a variety of industries, with no single tenant accounting for more than 1.6% of our total annualized base rent. Our average lease size is approximately 13,000 square feet, and approximately 52% of our total leased square feet consists

of leases that are less than 50,000 square feet each. Our 10 largest tenants combined account for 11.9% of our annualized base rent as of December 31, 2017. We intend to continue to maintain a diversified mix of tenants in order to limit our exposure to any single tenant or industry.

The following table sets forth information about the 10 largest tenants in our portfolio based on total annualized base rent as of December 31, 2017.

Tenant	Submarket	Occupied Square Feet	Percentage of Total Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Total Annualized Base Rent ⁽²⁾	Annualized Base Rent per Square Foot ⁽³⁾	Lease Expirations
Federal Express Corporation	South Bay	173,596	1.0 %	\$ 2,420	1.6 %	\$ 13.94	11/30/2032 ⁽⁴⁾
32 Cold, LLC ⁽⁵⁾	Central LA	149,157	0.8 %	2,184	1.4 %	\$ 14.64	3/31/2026 ⁽⁶⁾
Command Logistics Services, Inc.	South Bay	340,672	1.9 %	2,043	1.3 %	\$ 6.00	9/30/2020 ⁽⁷⁾
Triscenic Production Services, Inc.	Greater San Fernando Valley	255,303	1.4 %	1,926	1.2 %	\$ 7.55	3/31/2022 ⁽⁸⁾
Cosmetic Laboratories of America, LLC	Greater San Fernando Valley	319,348	1.8 %	1,900	1.2 %	\$ 5.95	6/30/2020
Universal Technical Institute of Southern California, LLC	South Bay	142,593	0.8 %	1,895	1.2 %	\$ 13.29	8/31/2030
Southland Industries, Inc.	West Orange County	207,953	1.2 %	1,872	1.2 %	\$ 9.00	5/31/2028
Dendreon Corporation	West Orange County	170,865	1.0 %	1,516	1.0 %	\$ 8.87	12/31/2019
Warehouse Specialists, Inc.	San Gabriel Valley	245,961	1.4 %	1,476	0.9 %	\$ 6.00	2/28/2021
Undisclosed high-end luxury car company	Greater San Fernando Valley	167,425	1.0 %	1,418	0.9 %	\$ 8.47	8/31/2022 ⁽⁹⁾
Top 10 Tenants		2,172,873	12.3 %	\$ 18,650	11.9 %	\$ 8.58	
All Other Tenants		15,477,964	87.7 %	138,137	88.1 %	\$ 8.92	
Total Consolidated Portfolio		17,650,837	100.0 %	\$ 156,787	100.0 %	\$ 8.88	

Calculated for each tenant as the monthly contracted base rent (before rent abatements) per the terms of such (1) tenant's lease as of December 31, 2017, multiplied by 12. Excludes billboard and antenna revenue and tenant reimbursements. Amounts in thousands.

(2) Calculated as annualized base rent for such tenant divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.

(3) Calculated as annualized base rent for such tenant divided by occupied square feet for such tenant as of December 31, 2017.

(4) Includes (i) 30,160 rentable square feet expiring September 30, 2027, and (ii) 143,436 rentable square feet expiring November 30, 2032.

These leases were amended, assumed by the tenant, and approved for inclusion in their anticipated plan of (5) reorganization by the residing court in connection with the tenant's chapter 11 reorganization plan under the United States Bankruptcy Code.

- (6) Includes (i) 78,280 rentable square feet expiring September 30, 2025, and (ii) 70,877 rentable square feet expiring March 31, 2026.
- (7) Includes (i) 111,769 rentable square feet expiring June 30, 2018, and (ii) 228,903 rentable square feet expiring September 30, 2020.
- (8) Includes (i) 38,766 rentable square feet expiring November 30, 2019, (ii) 147,318 rentable square feet expiring September 30, 2021, and (iii) 69,219 rentable square feet expiring March 31, 2022.
- (9) Includes (i) 16,868 rentable square feet expiring April 30, 2020, (ii) 21,697 rentable square feet expiring November 30, 2019, (iii) 20,310 rentable square feet expiring May 31, 2020, and (iv) 108,550 rentable square feet expiring August 31, 2022.

Leases

Overview

Triple net lease. In our triple net leases, the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term. The landlord may have responsibility under the lease to perform or pay for certain capital repairs or replacements to the roof, structure or certain building systems, such as heating and air conditioning and fire suppression. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2017, there were 235 triple net leases in our consolidated portfolio, representing approximately 56.7% of our total annualized base rent.

Modified gross lease. In our modified gross leases, the landlord is responsible for some property-related expenses during the lease term, but a significant amount of the expenses is passed through to the tenant for reimbursement to the landlord. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2017, there were 952 modified gross leases in our consolidated portfolio, representing approximately 36.2% of our total annualized base rent.

Gross lease. In our gross leases, the landlord is responsible for all aspects of and costs related to the property and its operation during the lease term. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2017, there were 180 gross leases in our consolidated portfolio, representing approximately 7.1% of our total annualized base rent.

The following table provides information regarding our lease segmentation by size as of December 31, 2017:

Square Feet	Number of Leases	Occupied Square Feet	Percentage of Total Occupied Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Total Annualized Base Rent ⁽²⁾	Annualized Base Rent per Square Foot ⁽³⁾
<4,999	807	1,699,965	9.6 %	\$ 20,102	12.8 %	\$ 11.83
5,000 - 9,999	184	1,279,239	7.2 %	13,666	8.7 %	\$ 10.68
10,000 - 24,999	226	3,619,667	20.5 %	34,639	22.1 %	\$ 9.57
25,000 - 49,999	71	2,532,956	14.4 %	22,924	14.6 %	\$ 9.05
>50,000	79	8,519,010	48.3 %	65,456	41.8 %	\$ 7.68
Total / Weighted Average	1,367	17,650,837	100.0 %	\$ 156,787	100.0 %	\$ 8.88

Calculated for each lease as the monthly contracted base rent (before rent abatements) per the terms of such lease, (1) as of December 31, 2017, multiplied by 12, and then aggregated by square feet. Excludes billboard and antenna revenue and rent abatements. Amounts in thousands.

(2) Calculated as annualized base rent for such leases divided by annualized base rent for the total consolidated portfolio as of December 31, 2017.

(3) Calculated as annualized base rent for such leases divided by occupied square feet for such leases as of December 31, 2017.

Lease Expirations

As of December 31, 2017, our weighted average in-place remaining lease term was approximately 3.6 years. The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2017, plus available space, for each of the 10 full calendar years commencing December 31, 2017 and thereafter in our portfolio. The information set forth in the table assumes that tenants exercise no renewal options and no early termination rights.

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⁾	—	317,286	1.7 %	\$ —	— %	\$ —
Current Repositioning ⁽⁶⁾	—	508,686	2.8 %	—	— %	\$ —
MTM Tenants ⁽⁷⁾	95	190,454	1.0 %	1,875	1.2 %	\$ 9.84
2017	21	166,768	0.9 %	1,563	1.0 %	\$ 9.37
2018	340	2,391,341	12.9 %	22,359	14.3 %	\$ 9.35
2019	324	2,740,232	14.8 %	24,746	15.8 %	\$ 9.03
2020	281	3,671,172	19.9 %	30,945	19.7 %	\$ 8.43
2021	143	3,465,777	18.8 %	29,113	18.6 %	\$ 8.40
2022	98	1,824,734	9.9 %	15,192	9.7 %	\$ 8.33
2023	27	748,942	4.0 %	7,433	4.7 %	\$ 9.92
2024	14	757,894	4.1 %	7,159	4.6 %	\$ 9.45
2025	4	148,215	0.8 %	1,712	1.1 %	\$ 11.55
2026	6	273,904	1.5 %	3,211	2.0 %	\$ 11.72
Thereafter	14	1,271,404	6.9 %	11,479	7.3 %	\$ 9.03
Total Consolidated Portfolio	1,367	18,476,809	100.0 %	\$ 156,787	100.0 %	\$ 8.88

(1) Represents the contracted square footage upon expiration.

Calculated as monthly contracted base rent (before rent abatements) per the terms of such lease, as of

(2) December 31, 2017, multiplied by 12. Excludes billboard and antenna revenue and rent abatements. 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 December 31, 2017.

(4) Calculated as annualized base rent for such leases divided by occupied square feet for such leases as of December 31, 2017.

(5) Represents vacant space (not under repositioning) as of December 31, 2017. Includes leases aggregating 10,509 rentable square feet that have been signed but had not yet commenced as of December 31, 2017.

(6) Represents space at five of our properties that were classified as current repositioning or lease-up as of December 31, 2017. See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Factors That May Influence Future Results of Operations – Acquisitions and Development of Properties,” of this Annual Report on Form 10-K for additional details related to these five properties. Includes 43,927 rentable square feet of repositioning space for which a lease has been signed but had not commenced as of December 31, 2017.

(7) Represents tenants under month-to-month (“MTM”) leases or having holdover tenancy. Includes 62 MTM leases totaling 65,390 rentable square feet at our property located at 14723-14825 Oxnard Street, where due to the number and the small size of spaces, we typically only enter into MTM leases.

Historical Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding leasing related (revenue generating) tenant improvement and leasing commission costs for tenants at the properties in our portfolio as follows:

	The Year Ended December 31, 2017			2016			2015		
	Cost (1)	Square Feet	PSF ⁽²⁾	Cost (1)	Square Feet	PSF ⁽²⁾	Cost (1)	Square Feet	PSF ⁽²⁾
Tenant Improvements									
New Leases - First Generation ⁽³⁾⁽⁴⁾	\$1,069	531,101	\$ 2.01	\$1,474	493,978	\$ 2.98	\$736	516,605	\$ 1.42
New Leases - Second Generation ⁽³⁾⁽⁵⁾	800	591,230	\$ 1.35	2,295	1,182,569	\$ 1.94	1,509	893,499	\$ 1.69
Renewal Leases	596	504,261	\$ 1.18	288	377,053	\$ 0.76	190	209,910	\$ 0.91
Total Tenant Improvements	\$2,465	1,626,592	\$ 1.52	\$4,057	2,053,600	\$ 1.97	\$2,435	1,620,014	\$ 1.50
Leasing Commissions									
New Leases - First Generation ⁽³⁾⁽⁴⁾	\$1,821	522,969	\$ 3.48	\$2,622	1,586,659	\$ 1.65	\$1,538	868,335	\$ 1.77
New Leases - Second Generation ⁽³⁾⁽⁵⁾	2,772	1,244,739	\$ 2.23	1,516	915,069	\$ 1.66	1,108	890,044	\$ 1.24
Renewal Leases	1,071	820,290	\$ 1.31	1,144	1,801,991	\$ 0.63	255	579,677	\$ 0.44
Total Leasing Commissions	\$5,664	2,587,998	\$ 2.19	\$5,282	4,303,719	\$ 1.23	\$2,901	2,338,056	\$ 1.24
Total Tenant Improvements & Leasing Commissions	\$8,129			\$9,339			\$5,336		

(1) Cost is reported in thousands. Costs of tenant improvements include contractual tenant allowances and costs necessary to prepare a space for occupancy by a new tenant.

(2) Per square foot ("PSF") amounts calculated by dividing the aggregate tenant improvement and/or leasing commission cost by the aggregate square footage of the leases in which we incurred such costs, excluding new/renewal leases in which there were no tenant improvements and/or leasing commissions.

(3) New leases represent all leases other than renewal leases.

(4) Tenant improvements and leasing commissions related to our initial leasing of vacant space in acquired properties or leasing of a space that has been vacant for more than 12 months, are considered first generation costs.

(5) Tenant improvements and leasing commissions related to leasing of a space that has been previously occupied by a tenant during the prior 12 months, are considered second generation costs.

Historical Capital Expenditures

The following table sets forth certain information regarding historical maintenance (non-revenue generating) capital expenditures at the properties in our portfolio as follows:

	Year Ended December 31, 2017			2016			2015		
	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾
Non-Recurring Capital Expenditures⁽⁴⁾	\$35,221	12,889,591	\$ 2.73	\$21,192	9,061,612	\$ 2.34	\$14,472	6,118,145	\$ 2.37
Recurring Capital Expenditures⁽⁵⁾	2,525	16,590,584	\$ 0.15	2,792	13,611,194	\$ 0.21	3,530	10,710,780	\$ 0.33
Total Capital Expenditures	\$37,746			\$23,984			\$18,002		

(1) Cost is reported in thousands.

(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 for the period.

(3) PSF amounts calculated by dividing the aggregate capital expenditure costs by the square footage as defined in (1) and (2) above.

(4) Non-recurring capital expenditures are expenditures made in respect of a property for improvement to the appearance of such property or any other major upgrade or renovation of such property, and further includes capital

expenditures for seismic upgrades, or capital expenditures for deferred maintenance existing at the time such property was acquired.

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

Item 3. Legal Proceedings

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of our 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 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NYSE under the symbol "REXR". On February 14, 2018, the reported closing sale price per share of our common stock was \$27.69, and there were approximately 162 holders of record. Certain shares of our Company are held in "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing numbers.

The following table sets forth the high and low closing sales prices for our common stock as reported by the NYSE and the per share dividends declared on our common stock, for the periods indicated:

Period	Range		Cash Dividend per Common Share
	High	Low	
2017			
First Quarter	\$24.15	\$21.54	\$ 0.145
Second Quarter	\$28.08	\$22.60	\$ 0.145
Third Quarter	\$30.41	\$26.93	\$ 0.145
Fourth Quarter	\$31.52	\$29.10	\$ 0.145
2016			
First Quarter	\$18.36	\$15.43	\$ 0.135
Second Quarter	\$21.10	\$17.85	\$ 0.135
Third Quarter	\$23.17	\$20.91	\$ 0.135
Fourth Quarter	\$23.27	\$20.27	\$ 0.135

We intend to continue to pay regular quarterly distributions on our common stock, however, the actual amount and timing of distributions will be at the discretion of our board of directors and will depend upon a variety of factors including our actual financial condition, in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions. In addition, our unsecured revolving credit facility and term loan facilities 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 loan agreements) 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.

Sales of Unregistered Securities

None.

Repurchases 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
October 1, 2017 to October 31, 2017 ⁽¹⁾	25,483	\$ 29.59	N/A	N/A
November 1, 2017 to November 30, 2017 ⁽¹⁾	558	\$ 29.95	N/A	N/A
December 1, 2017 to December 31, 2017	—	\$ —	N/A	N/A
	26,041	\$ 29.60	N/A	N/A

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

Equity Compensation Plan Information

Our equity compensation plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this Annual Report on Form 10-K.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from July 18, 2013 to December 31, 2017, with the cumulative total return of the Standard & Poor’s 500 Index and a selection of appropriate “peer group” indexes (assuming the investment of \$100 in our common stock and in each of the indexes on July 18, 2013, and that all dividends were reinvested into additional shares of common stock at the frequency with which dividends are paid on the common stock during the applicable fiscal year). The total return performance shown in this graph is not necessarily indicative of, and is not intended to suggest, future total return performance.

Index	Period Ending					
	7/18/2013	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Rexford Industrial Realty, Inc.	100.00	95.80	117.83	126.93	184.60	237.23
S&P 500	100.00	110.47	125.60	127.34	142.56	173.69
MSCI U.S. REIT	100.00	91.51	119.31	122.31	132.83	139.57
SNL U.S. REIT Industrial	100.00	93.91	113.62	117.07	147.43	178.10

Item 6. Selected Financial Data.

The following table sets forth selected financial and operating data on a historical basis for “Rexford Industrial Realty, Inc. Predecessor” prior to our IPO and Rexford Industrial Realty, Inc. subsequent to our IPO. Rexford Industrial Realty, Inc. Predecessor consists of Rexford Industrial, LLC, Rexford Sponsor V LLC, Rexford Industrial Fund V REIT, LLC and their consolidated subsidiaries which consists of Rexford Industrial Fund I, LLC, Rexford Industrial Fund II, LLC, Rexford Industrial Fund III, LLC, Rexford Industrial Fund IV, LLC, Rexford Industrial Fund V, LP and their subsidiaries. Each of the entities comprising Rexford Industrial Realty, Inc. Predecessor were owned, managed, and controlled, individually or jointly, by our predecessor principals. As such, we have combined these entities on the basis of common ownership and common management.

You should read the following summary financial and operating data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our audited financial statements and related notes, elsewhere in this Annual Report on Form 10-K.

The summary historical consolidated and combined financial and operating data as of December 31, 2017, 2016, 2015, 2014, and 2013 and for the years ended December 31, 2017, 2016, 2015 and 2014, the period from July 24, 2013 to December 31, 2013, and the period from January 1, 2013 to July 23, 2013, have been derived from our audited historical consolidated financial statements subsequent to our IPO and our audited historical combined financial statements of Rexford Industrial Realty, Inc. Predecessor prior to our IPO. All consolidated financial data has been restated, as appropriate, to reflect the impact of activity classified as discontinued operations for all periods presented.

	Rexford Industrial Realty, Inc.				Rexford Industrial Realty, Inc. Predecessor	
	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended Period from July 24, 2013 to December 31, 2013	Year Ended Period from January 1, 2013 to July 23, 2013
	(in thousands, except for share and per share data)					
Statement of Operations Data:						
Total revenues from continuing operations	\$ 161,355	\$ 126,192	\$ 93,900	\$ 66,581	\$ 21,618	\$ 22,747
Net income (loss) from continuing operations	\$ 41,700	\$ 25,876	\$ 1,950	\$ (1,170)	\$ (1,002)	\$ (8,194)
Net income (loss)	\$ 41,700	\$ 25,876	\$ 1,950	\$ 976	\$ (711)	\$ (4,281)
Per Share Data:						
Weighted average common shares outstanding - basic	71,198,862	62,723,021	54,024,923	31,953,506	24,925,226	
Weighted average common shares outstanding - diluted	71,598,654	62,965,554	54,024,923	31,953,506	\$ 24,925,226	
Net income (loss) from continuing operations available to common stockholders - basic and diluted	\$ 0.48	\$ 0.36	\$ 0.03	\$ (0.04)	\$ (0.04)	
Net income (loss) available to common stockholders - basic and diluted	\$ 0.48	\$ 0.36	\$ 0.03	\$ 0.02	\$ (0.03)	
Dividends declared per common share	\$ 0.58	\$ 0.54	\$ 0.51	\$ 0.48	\$ 0.21	
Balance Sheet Data (End of Period):						
Total real estate held for investment, before accumulated depreciation	\$ 2,161,965	\$ 1,552,129	\$ 1,188,766	\$ 930,462	\$ 540,623	
Total real estate held for investment, after accumulated depreciation	\$ 1,988,424	\$ 1,416,989	\$ 1,085,143	\$ 853,578	\$ 481,673	
Total assets	\$ 2,111,373	\$ 1,515,008	\$ 1,153,251	\$ 932,185	\$ 554,236	
Notes payable	\$ 668,941	\$ 500,184	\$ 418,154	\$ 356,362	\$ 192,008	
Total liabilities	\$ 746,119	\$ 552,868	\$ 459,507	\$ 386,308	\$ 212,467	
Preferred stock	\$ 159,713	\$ 86,651	\$ —	\$ —	\$ —	
Total equity	\$ 1,365,254	\$ 962,140	\$ 693,744	\$ 545,877	\$ 341,769	
Other Data:						
Funds from operations ⁽¹⁾	\$ 76,968	\$ 58,584	\$ 43,844	\$ 27,970	\$ 8,316	\$ 4,307
Cash flow provided by operating activities	\$ 76,650	\$ 56,432	\$ 40,508	\$ 24,504	\$ 8,912	\$ 4,593
Cash flow used in investing activities	\$ (606,900)	\$ (361,214)	\$ (236,774)	\$ (380,581)	\$ (81,719)	\$ (46,616)

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Cash flow provided by (used in) financing activities	\$521,595	\$ 315,106	\$ 192,861	\$ 355,686	\$81,804	\$(1,476)
Total number of in-service properties	151	136	119	98	68	61

See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Supplemental Measure: Funds From Operations,” in this Annual Report on Form 10-K for a (1) reconciliation to net income and a discussion of why we believe FFO is a useful supplemental measure of operating performance, ways in which investors might use FFO when assessing our financial performance, and FFO’s limitations as a measurement tool.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the sections of this Annual Report on Form 10-K entitled "Risk Factors," "Forward-Looking Statements," "Business" and our audited consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Company Overview

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service REIT focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the "Operating Partnership"), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily 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 Code, 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 December 31, 2017, our consolidated portfolio consisted of 151 properties with approximately 18.5 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

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

Highlights

Acquisitions

During 2017, we acquired 21 properties, aggregating 4.2 million square feet, for an aggregate cost of \$666.7 million.

Repositioning

During 2017, we completed the lease-up of five of our value-add repositioning properties located at 679-691 South Anderson Street, 18118 South Broadway Street, 3880 Valley Boulevard, 12131 Western Avenue and 228th Street, with a combined 0.5 million rentable square feet. We also pre-leased 43,927 square feet of repositioning space at 3233 Mission Oaks Boulevard with the lease commencing on January 31, 2018.

Dispositions

During 2017, we completed the sale of six of our properties with a combined 0.8 million rentable square feet, for a total gross sales price of \$98.7 million, and total net cash proceeds of \$96.0 million, of which \$77.8 million was reinvested as part of four separate 1031 Exchange transactions.

Equity

During 2017, we sold a total of 11,968,927 shares of our common stock under our various at-the-market equity offering programs, for gross proceeds of \$336.6 million, or approximately \$28.13 per share, and net proceeds of approximately \$331.6 million after deducting the sales agents' fee.

In November 2017, we completed a public offering of 3,000,000 shares of our 5.875% Series B Cumulative Redeemable Preferred Stock at a price of \$25.00 per share, for net proceeds of approximately \$72.5 million after deducting the underwriters' discount and offering costs.

Financing

In February 2017, we entered into an agreement for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility that will mature in February 2021, with two six-month extensions available, and a \$100 million unsecured term loan facility that will mature in February 2022. Borrowings under the \$350 million unsecured revolving credit facility bear interest at LIBOR plus an applicable margin that will range from 1.10% to 1.50% per annum depending on our leverage ratio, and the \$100 million unsecured term loan facility bears interest at LIBOR plus an applicable margin that will range from 1.20% to 1.70% per annum depending on our leverage ratio.

In March 2017, we repaid the \$9.7 million outstanding balance on one of our secured mortgage loans in advance of the February 1, 2019 maturity date.

In July 2017, we completed a private placement of \$125 million of 10-year senior notes at a fixed annual interest rate of 3.93%.

In December 2017, we repaid the \$5.1 million outstanding balance on one of our secured mortgage loans in advance of the April 1, 2018 maturity date.

Factors That May Influence Future Results of Operations

Market Fundamentals

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

The infill Southern California industrial real estate sector has continued to exhibit strong fundamentals. These high-barrier infill markets are characterized by a relative scarcity of available product, operating at near full occupancy, coupled with limited ability to introduce new supply due to high land and development costs and a dearth of developable land in markets experiencing a net reduction in supply as more industrial property is converted to non-industrial uses than can be delivered. Consequently, available industrial supply continues to decrease in many of our target infill submarkets, landlord concessions remain at cyclically low levels and construction deliveries are falling short of demand. Meanwhile, underlying tenant demand within our infill markets continues to demonstrate growth, illustrated or driven by strong re-leasing spreads, an expanding regional population, substantial growth in e-commerce transaction and delivery volumes, as well as further compression of delivery time-frames to consumers and to businesses, increasing the significance of last-mile facilities for timely fulfillment. We expect that strong tenant demand coupled with the continued low availability of industrial product, exacerbated by a reduction in supply primarily due to re-zoning of available land to residential or mixed-use, may cause leasing rates to continue to grow through 2018. Despite potential concerns related to global growth, tax reform and possible changes to trade and tariff policies and the impact of rising interest rates, we continue to observe a number of positive trends within our target infill markets that we expect will continue into the upcoming year.

In Los Angeles County, positive market trends continued through 2017, as record high occupancy levels persisted year-over-year and asking lease rates increased at a stable pace during 2017. Current market conditions indicate rents may continue their upward trend with potential increases through 2018, as occupancy still remains at near capacity levels and new development is limited by a lack of land availability and an increase in land and development costs.

In Orange County, market fundamentals remained favorable throughout 2017. Rents continued their upward trend during 2017 and although vacancy nominally increased year-over-year, demand remained steady. Regional market conditions indicate the potential for continued rental growth through 2018.

In San Diego, during 2017 net absorption was strong, overall asking lease rates increased to a record high and overall vacancy in the market decreased to an all-time low, which may position the market strongly for 2018.

In Ventura County, vacancy declined year-over-year and asking lease rates increased slightly year-over year.

Lastly, in the Inland Empire, new industrial product continues to be absorbed well in the market. In the Inland Empire West, which contains infill markets in which we operate, vacancy remained at historically low levels and asking lease

rates

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increased year-over-year. We expect the outlook for the Inland Empire West to remain positive over the upcoming year. We generally do not focus on properties located within the non-infill Inland Empire East sub-market where the development and construction pipeline for new supply is substantial.

Acquisitions and Value-Add Repositioning of Properties

The Company's external growth strategy comprises acquiring leased, stabilized properties as well as properties with value-add opportunities to deploy our value-driven repositioning and asset management programs in order to increase cash flow and value. A key component of our growth strategy is to acquire properties through off-market and lightly marketed transactions that are often operating at below-market occupancy or below-market rent at the time of acquisition or that have near-term lease roll-over or that provide opportunities to add-value through functional or physical repositioning and improvements. Through various redevelopment, repositioning, and professional leasing and marketing strategies, we seek to increase the properties' functionality and attractiveness to prospective tenants and, over time, to stabilize the properties at occupancy and lease 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 December 31, 2017, four of our properties were in various stages of repositioning and one of our properties was in the lease-up stage. In addition, we anticipate beginning repositioning work on three additional properties during 2018. The table below sets forth a summary of these properties, as well as the five repositioning properties that were stabilized during 2017. In addition to the properties in the table below, we also have a range of smaller spaces in value-add repositioning or renovation, that due to their smaller size, are not presented below, however, in the aggregate, may be substantial.

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Property (Submarket)	Market	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/Lease-up	Estimated Development Rentable Square Feet	Estimated Construction Period ⁽¹⁾		Total Property Leased % at 12/31/17
					Start	Completion	
Current							
Repositioning: 14750 Nelson - Repositioning		147,360	147,360	—	3Q-2016	1Q-2018	—%
14750 Nelson - Development		—	—	53,897	3Q-2016	2Q-2018	—%
14750 Nelson (San Gabriel Valley)	LA	147,360	147,360	53,897	3Q-2016	2Q-2018	—%
301-445 Figueroa Street (South Bay) ⁽²⁾	LA	133,650	78,760	—	4Q-2016	3Q-2018	42%
28903 Avenue Paine - Repositioning		111,346	111,346	—	1Q-2017	1Q-2018	—%
28903 Avenue Paine - Development		—	—	112,654	1Q-2017	4Q-2018	—%
28903 Avenue Paine (SF Valley)	LA	111,346	111,346	112,654	1Q-2017	4Q-2018	—%
3233 Mission Oaks Blvd (Ventura): Unit 3233-H ⁽³⁾	VC	461,210	43,927	—	1Q-2017	4Q-2017	64%
Unit 3233	VC	461,210	111,419	—	2Q-2017	4Q-2018	64%
Total			492,812	166,551			
Lease-up Stage:							
1601 Alton Parkway (OC Airport)	OC	124,988	15,874	—	4Q-2014	4Q-2017	87%
Total			15,874	—			
Future							
Repositioning: 9615 Norwalk Boulevard (Mid-Counties)	LA	38,362	—	201,808	2Q-2018	2Q-2019	100%
2722 Fairview Street (OC Airport) ⁽⁴⁾	OC	116,575	—	—	1Q-2018	2Q-2018	100%

15401 Figueroa Street (South Bay)	LA	38,584	—	—	2Q-2018	3Q-2018	100%
Total			—	201,808			
Total Current Repositioning, Lease-up Stage and Future Repositioning:			508,686	368,359			
Stabilized: ⁽⁵⁾							
679-691 S. Anderson Street (Central LA)	LA	47,490	—	—	N/A	N/A	100%
18118 S. Broadway Street (South Bay)	LA	78,183	—	—	N/A	N/A	100%
3880 Valley Boulevard (San Gabriel Valley)	LA	108,550	—	—	N/A	N/A	100%
12131 Western Avenue (West OC)	OC	207,953	—	—	N/A	N/A	100%
228th Street (South Bay)	LA	88,971	—	—	N/A	N/A	98%

(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.

The property located at 301-445 Figueroa Street has 14 units, all of which will be repositioned in various phases. As of December 31, 2017, the property consists of: two units (23,700 rentable square feet) that have been completed and leased; five units (54,290 RSF) that have been completed and are vacant; three units (24,470 rentable square feet) that are currently undergoing repositioning; and four units (31,190 rentable square feet) in which repositioning has not yet started. We estimate that the latter seven units (55,650 rentable square feet) will be completed between 1Q-2018 and 3Q-2018.

- (3) As of December 31, 2017, Unit H has been pre-leased to a tenant with a commencement date of January 31, 2018. The property located at 2722 Fairview is a two-unit building which is 100% occupied by two tenants as of
- (4) December 31, 2017. We plan to reposition one of the units (58,802 rentable square feet) when the current tenant's lease terminates in February 2018.
- (5) We consider a repositioning property to be stabilized at the earlier of the following: (i) upon reaching 90% occupancy or (ii) one year from the date of completion of repositioning construction work.

Properties that are nonoperational as a result of repositioning or redevelopment activity may qualify for varying levels of interest, insurance and real estate tax capitalization during the development and construction period. An increase in our repositioning and development activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest, insurance and tax capitalization in future periods. We capitalized \$1.7 million of interest expense and \$1.2 million of insurance and real estate tax expense during the year ended December 31, 2017, related to our repositioning and redevelopment projects.

Rental Revenue

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

Occupancy Rates

As of December 31, 2017, our consolidated portfolio was 95.5% occupied. We believe the opportunity to increase occupancy at our properties will be an important driver of future revenue growth. An opportunity to drive this growth will derive from the lease-up of recently completed repositioning projects and the completion and lease-up of repositioning projects that are currently under construction and planned for near-term construction.

As summarized in the table above, as of December 31, 2017, five of our properties with a combined 0.5 million vacant rentable square feet, were in various stages of redevelopment, repositioning or lease-up. These five properties are concentrated in our Los Angeles, Orange County and Ventura markets, and represent 2.8% of our total consolidated portfolio square footage as of December 31, 2017. Including vacant repositioning and lease-up space at these five properties, our weighted average occupancy rate as of December 31, 2017, in Los Angeles, Orange County and Ventura was 95.3%, 97.1% and 86.0%, respectively. Excluding vacant repositioning and lease-up space at these five properties, our weighted average occupancy rate as of December 31, 2017, in these markets was 99.1%, 97.7% and 94.4%, respectively, and our overall portfolio occupancy excluding these properties was 98.2%. We believe that a significant portion of our long-term future growth will come from the completion of these projects currently under or scheduled for repositioning, as well as through the identification or acquisition of new opportunities for redevelopment and repositioning, whether in our existing portfolio or through new investments, which may vary from period to period subject to market conditions.

The occupancy rate of properties not undergoing repositioning is affected by regional and local economic conditions in our Southern California infill markets. Throughout 2017, the Los Angeles, Orange and San Diego county markets have continued to show historically low vacancy and positive absorption, resulting from high tenant demand combined with low product availability. Accordingly, our properties in these markets have exhibited a similar trend. We expect general market conditions to remain positive in 2018, and we believe the opportunity to increase occupancy and rental rates at our properties will be an important driver of future revenue growth.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases on a quarterly basis for the year ended December 31, 2017:

Quarter	New Leases				GAAP Leasing Spreads ⁽²⁾⁽⁴⁾	Cash Leasing Spreads ⁽³⁾⁽⁴⁾	Expiring Leases	Retention %
	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾				
Q1-2017	65	423,766	4.7	\$ 10.44	32.2 %	20.4 %		
Q2-2017	52	310,950	4.0	\$ 9.94	31.3 %	24.2 %		
Q3-2017	61	678,882	4.4	\$ 10.31	33.6 %	21.4 %		
Q4-2017	50	506,581	6.9	\$ 10.46	40.1 %	30.1 %		
Total/Weighted Average	228	1,920,179	5.0	\$ 10.32	33.8 %	23.0 %		

Quarter	Renewal Leases				GAAP Leasing Spreads ⁽²⁾⁽⁵⁾	Cash Leasing Spreads ⁽³⁾⁽⁵⁾	Expiring Leases	Retention %
	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾				
Q1-2017	74	439,602	3.3	\$ 10.41	17.9 %	9.6 %	136	1,248,787 56.6 %
Q2-2017	87	469,766	3.5	\$ 10.57	16.5 %	5.9 %	127	771,093 70.8 %
Q3-2017	66	614,175	3.6	\$ 8.64	21.2 %	13.4 %	118	971,551 66.2 %
Q4-2017	69	574,522	3.4	\$ 11.02	23.9 %	15.5 %	121	1,059,505 64.4 %
Total/Weighted Average	296	2,098,065	3.5	\$ 10.29	20.0 %	11.2 %	502	4,050,936 64.0 %

Effective rent per square foot is the average base rent calculated in accordance with GAAP, over the term of the (1) lease, expressed in dollars per square foot per year. Includes all new and renewal leases executed during each respective 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 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 year ended December 31, 2017, exclude 71 leases aggregating 865,200 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space that has never been occupied under our ownership, (ii) recently repositioned/redeveloped space, (iii) space that has been vacant for over one year, (iv) space with different lease structures (for example a change from a gross lease to a modified gross lease or an increase or decrease in the leased square footage) or (v) space with lease terms shorter than six months.

(5) The GAAP and cash re-leasing rent spreads for renewal leases executed during the year ended December 31, 2017, exclude eight leases aggregating 88,174 rentable square feet for which there was no comparable lease data due to either (i) space with different lease structures or (ii) space with lease terms shorter than six months.

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 year ended December 31, 2017, we completed the repositioning and lease-up of five of our

value-add repositioning properties located at 679-691 Anderson Street, 18118 Broadway Street, 3880 Valley Boulevard, 12131 Western Avenue and 228th

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Street and we pre-leased 43,927 rentable square feet at 3233 Mission Oaks Boulevard. As of the date of this filing, we have four repositioning projects with estimated construction completion periods ranging from the first quarter of 2018 to the fourth quarter of 2018 and one property in the lease-up stage. We expect these properties to have positive impacts on our leasing activity and revenue generation as we complete our value-add repositioning plan and place these properties in service.

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 desirability of our individual properties, which may impact our results of operations.

As of December 31, 2017, 0.3 million rentable square feet of our portfolio was available for lease, 0.5 million rentable square feet of vacant space was under repositioning and leases representing 0.2 million rentable square feet of our portfolio expired on December 31, 2017. Additionally, leases representing 12.9% and 14.8% of the aggregate rentable square footage of our portfolio are scheduled to expire during the years ending December 31, 2018 and 2019, respectively. During the year ended December 31, 2017, we renewed 296 leases for 2.1 million rentable square feet, resulting in a 64.0% retention rate. Our retention rate during the year was impacted by our strategy to roll certain tenants at below-market rents and to replace them with higher quality tenants paying higher rents. New and renewal leases signed during the current year had a weighted average term of 5.0 and 3.5 years, respectively, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the years ending December 31, 2018 and 2019, represent 14.3% and 15.8%, respectively, of the total annualized base rent for our portfolio as of December 31, 2017. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire in 2018 and 2019 are currently below current market asking rents, although individual units or properties within any particular submarket presently may be leased either above, below, or at the current market asking rates within that submarket. As described in the above Market Fundamentals section, we expect market dynamics to remain strong heading into 2018 and that these positive trends will provide a favorable environment for additional increases in lease renewal rates. Accordingly, we expect 2018 will show positive renewal rates and leasing spreads. We also currently do not see any reason not to expect that 2019 lease expirations will show positive growth upon renewal; however, it is difficult to predict market conditions that far into the future.

Conditions in Our Markets

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

Property Expenses

Our rental 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 December 31, 2017, our Operating Partnership indirectly and wholly owns Rexford Industrial Realty and Management, Inc., which we refer to as the services company. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or health care facility or provide rights to any brand name under which any lodging facility or health care facility is operated. We may form additional taxable REIT subsidiaries in the future, and our Operating Partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be

included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries. Our taxable REIT subsidiary is a C-corporation subject to federal and state income tax, however it has a cumulative unrecognized net operation loss carryforward and therefore there is no income tax provision for the years ended December 31, 2017 and 2016.

Critical Accounting Policies

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

A critical accounting policy is one that is both important to the portrayal of an entity's financial condition and results of operations and requires judgment on the part of management. Generally, the judgment requires management to make estimates and assumptions about the effect of matters that are inherently uncertain. Estimates are prepared using management's best judgment, after considering past and current economic conditions and expectations for the future. Changes in estimates could affect our financial position and specific items in our results of operations that are used by the users of our financial statements in their evaluation of our performance.

The following critical accounting policies discussion reflects what we believe are the most significant estimates, assumptions, and judgments used in the preparation of our consolidated financial statements. For further discussion of our significant accounting policies, see Note 2 "Summary of Significant Accounting Policies" to our consolidated financial statements under Item 15 of this report on Form 10-K.

Investment in Real Estate

Acquisitions

Effective January 1, 2017, we early adopted ASU 2017-01, Business Combinations - Clarifying the Definition of a Business ("ASU 2017-01"), which provides a new framework for determining whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 clarifies that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar assets, the set of assets and activities is not a business. ASU 2017-01 also revises the definition of a business to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output.

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

As a result of the adoption of ASU 2017-01, all of our acquisition transactions completed during the year ended December 31, 2017, were accounted for as asset acquisitions. Going forward, we expect that most of our property acquisitions will generally not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or because the acquisition does not include a substantive process.

When we acquire a property that meets the business combination accounting criteria, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component on the acquisition date. The components typically include land, building and improvements, tenant improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. Acquisition related costs are expensed as incurred. Because of the timing or complexity of completing certain fair value adjustments, the initial purchase price allocation may be incomplete at the end of a reporting period, in which case we may record provisional purchase price allocation amounts based on information available at the

acquisition date. Subsequent adjustments to provisional amounts are recognized during the measurement period, which cannot exceed one year from the date of acquisition.

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

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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 calculating the “as-if-vacant” value for acquisitions completed during the year ended December 31, 2017, we used discount rates ranging from 5.50% and 9.50% and capitalization rates ranging from 4.25% to 7.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. In determining the fair value of acquisitions completed during the year ended December 31, 2017, we used an estimated average lease-up period ranging from six to eighteen months.

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

Capitalization of Costs

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

We capitalized interest costs of \$1.7 million, \$1.7 million and \$0.8 million during the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized real estate taxes and insurance aggregating \$1.2 million, \$0.8 million and \$0.8 million during the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized compensation costs for employees who provide construction services of \$1.9 million, \$1.0 million and \$0.9 million during the years ended December 31, 2017, 2016 and 2015, respectively.

Impairment of Long-Lived Assets

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

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. 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 regard 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.

Revenue Recognition

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

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

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

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

Valuation of Receivables

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

Results of Operations

Our consolidated results of operations are often not comparable from period to period due to the effect of property acquisitions and dispositions completed during the comparative reporting periods. Our "Total Portfolio" represents all of the properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions and dispositions and to highlight the operating results of our on-going business, we have separately presented the results of our "Same Properties Portfolio."

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

For the comparison of the years ended December 31, 2017 and 2016, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2016, and still owned by us as of December 31, 2017, which consisted of 111 properties aggregating approximately 11.0 million rentable square feet. Results for our Same Properties Portfolio exclude our joint venture property, any properties that were acquired or sold during 2017 and 2016, interest expense and corporate general and administrative expenses. For the comparison of the years ended December 31, 2017 and 2016, our Total Portfolio includes the properties in our Same Properties Portfolio, the 41 properties aggregating approximately 7.6 million rentable square feet that were acquired during 2017 and 2016, and the 11 properties aggregating approximately 1.1 million rentable square feet that were sold during 2017 and 2016.

As of December 31, 2017 and 2016, our Same Properties Portfolio occupancy was approximately 98.0% and 96.2%, respectively. For the years ended December 31, 2017 and 2016, our Same Properties Portfolio weighted average occupancy was approximately 96.0% and 93.7%, respectively.

	Same Properties Portfolio				Total Portfolio					
	Year Ended December 31, 2017		2016		Year Ended December 31, 2017		2016		Increase/ (Decrease)	% Change
	(\$ in thousands)									
RENTAL REVENUES										
Rental revenues	\$99,031	\$91,971	\$ 7,060	7.7	%	\$136,185	\$107,594	\$ 28,591	26.6	%
Tenant reimbursements	15,257	13,691	1,566	11.4	%	23,363	16,723	6,640	39.7	%
Other income	712	751	(39)	(5.2)	%	869	943	(74)	(7.8)	%
TOTAL RENTAL REVENUES	115,000	106,413	8,587	8.1	%	160,417	125,260	35,157	28.1	%
Management, leasing and development services	—	—	—	—	%	493	473	20	4.2	%
Interest income	—	—	—	—	%	445	459	(14)	(3.1)	%
TOTAL REVENUES	115,000	106,413	8,587	8.1	%	161,355	126,192	35,163	27.9	%
OPERATING EXPENSES										
Property expenses	30,214	28,338	1,876	6.6	%	42,139	33,619	8,520	25.3	%
General and administrative	—	—	—	—	%	21,610	17,415	4,195	24.1	%
Depreciation and amortization	39,120	41,535	(2,415)	(5.8)	%	64,852	51,407	13,445	26.2	%
TOTAL OPERATING EXPENSES	69,334	69,873	(539)	(0.8)	%	128,601	102,441	26,160	25.5	%
OTHER EXPENSE										
Acquisition expenses	—	—	—	—	%	454	1,855	(1,401)	(75.5)	%
Interest expense	—	—	—	—	%	20,209	14,848	5,361	36.1	%
TOTAL OTHER EXPENSE	—	—	—	—	%	20,663	16,703	3,960	23.7	%
TOTAL EXPENSES	69,334	69,873	(539)	(0.8)	%	149,264	119,144	30,120	25.3	%
Equity in income from unconsolidated real estate entities	—	—	—	—	%	11	1,451	(1,440)		
Gain on extinguishment of debt	—	—	—	—	%	25	—	25		
Gain on sale of real estate	—	—	—	—	%	29,573	17,377	12,196		
NET INCOME	\$45,666	\$36,540	\$ 9,126			\$41,700	\$25,876	\$ 15,824		

Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by \$7.1 million, or 7.7%, and \$28.6 million, or 26.6%, respectively, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase in our Same Properties Portfolio rental income is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at nine of our properties during 2016 and 2017, as well as the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the incremental revenues from the 41 properties we acquired during 2016 and 2017, partially offset by the decrease in revenues from the 11 properties that were sold during 2016 and 2017.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased \$1.6 million, or 11.4%, and increased \$6.6 million or 39.7%, respectively, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to an increase in recoverable operating expenses for comparable periods, an increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at nine of our properties during 2016 and 2017, as well as the completion of supplemental assessments of certain of our properties resulting in lower reimbursable real estate taxes during 2016. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 41 properties we acquired during 2016 and 2017, partially offset by the decrease in reimbursements from the 11 properties that were sold during 2016 and 2017.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased by \$39 thousand, or 5.2%, and \$74 thousand, or 7.8%, respectively, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The decrease in our Same Properties Portfolio other income is primarily due to a decrease in late fee income, partially offset by an increase in other miscellaneous income. The decrease in our Total Portfolio income is primarily due to a decrease in late fee income and other miscellaneous income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue increased by \$20 thousand, or 4.2%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to our acquisition of the property located at 3233 Mission Oaks Boulevard from our unconsolidated joint venture (the "JV") in July 2016. Prior to this acquisition, we earned fees and commissions for providing property and construction management services for the property.

Interest Income

Interest income relates to the \$6.0 million mortgage loan that we made on July 1, 2016, which was subsequently repaid on June 23, 2017 (the "Rancho Loan"). The Rancho Loan was secured by an industrial property located in Rancho Cucamonga, California and bore interest at 10.0% per annum. Our Total Portfolio interest income decreased by \$14 thousand, or 3.1%, during the year ended December 31, 2017, compared to the year ended December 31, 2016.

Property Expenses

Our Same Properties Portfolio property expenses increased by \$1.9 million or 6.6%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to an increase in overhead costs, an increase in recoverable repairs and maintenance expense, an increase in insurance expense, an increase in real estate tax expense and the receipt of non-comparable insurance reimbursements during 2016, partially offset by a decrease in third-party property management fee expense. The increase in insurance expense was due to the new earthquake policy we obtained in June 2017 and the new environmental policy we obtained in December 2016. The increase in real estate tax expense was due to a decrease in capitalized real estate taxes resulting from the completion of construction at certain of our repositioning properties. Our Total Portfolio property expenses increased by \$8.5 million, or 25.3%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily as a result of the

incremental expenses from the 41 properties we acquired during 2016 and 2017, partially offset by the decrease in property expenses from the 11 properties that were sold during 2016 and 2017.

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General and Administrative

Our Total Portfolio general and administrative expenses increased by \$4.2 million, or 24.1% for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase is primarily due to the following: (i) a \$1.5 million increase in non-cash equity compensation expense primarily related to equity grants awards granted in December 2016, (ii) a non-comparable \$1.0 million insurance reimbursement of legal fees related to prior litigation received during 2016, (iii) a \$1.0 million increase in bonus expense due to Company performance, (iv) a \$0.6 million increase in payroll and employment related costs and (v) a \$0.4 million increase in other various corporate expenses. These increases were partially offset by a \$0.2 million decrease in non-employee director compensation expense.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$2.4 million, or 5.8%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during 2016 and 2017, partially offset by an increase in depreciation expense related to capital improvements. Our Total Portfolio depreciation and amortization expense increased \$13.4 million, or 26.2%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to incremental expense from the 41 properties we acquired during 2016 and 2017, and an increase in depreciation expense related to capital improvements, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$1.4 million, or 75.5%, for the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to the adoption of ASU 2017-01, effective January 1, 2017. Under ASU 2017-01, the 21 properties that we acquired during 2017 were accounted for as asset acquisitions, and the related acquisition costs were capitalized as part of the purchase price of the acquisition on a relative fair value basis. In comparison, 18 of the 20 properties that we acquired during 2016 were accounted for as business combinations, and the related acquisition costs were expensed as incurred. The decrease in acquisition expenses due to the adoption of ASU 2017-01 was partially offset by an increase resulting from the write-off of previously incurred transaction costs related to the termination of a ground lease in March 2017. For additional details, see Note 10 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

Interest Expense

Our Total Portfolio interest expense increased by \$5.4 million, or 36.1%, for the year ended December 31, 2017, compared to the year ended December 31, 2016. The increase in interest expense is primarily comprised of the following: (i) a \$2.3 million increase related to the issuance of \$125 million of 3.93% fixed rate senior notes in July 2017, (ii) a \$1.9 million increase related to the \$125 million and \$100 million term loan facility borrowings we made in January 2016 and April 2016, respectively, and (iii) a \$1.4 million increase related to the increase in borrowings on our unsecured revolving credit facility. The increase was partially offset by a \$0.3 million decrease in interest expense from the 1065 Walnut Street mortgage loan, which we repaid in advance of maturity on March 20, 2017.

Equity in Income from Unconsolidated Real Estate Entities

Our Total Portfolio equity in income from unconsolidated real estate entities decreased by \$1.4 million for the year ended December 31, 2017, compared to the year ended December 31, 2016, due to the acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from the JV on July 6, 2016. For additional information, see Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

Gain on Extinguishment of Debt

During the year ended December 31, 2017, we repaid the 1065 Walnut Street mortgage loan and the 12907 Imperial Highway mortgage loan. The gain on extinguishment of debt of \$25 thousand represents the write-off of \$0.2 million of unamortized loan premiums, partially offset by the \$0.2 million penalty incurred for repaying the 1065 Walnut Street mortgage loan in advance of the maturity date.

Gain on Sale of Real Estate

During the year ended December 31, 2017, we recognized a total gain of \$29.6 million from the disposition of six properties that were sold for an aggregate gross sales price of \$98.7 million. During the year ended December 31, 2016, we recognized a total gain of \$17.4 million from the disposition of five properties that were sold for an aggregate gross sales price of \$40.7 million.

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

For the comparison of the years ended December 31, 2016 and 2015, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2015, and still owned by us as of December 31, 2016, which consisted of 95 properties aggregating approximately 9.5 million rentable square feet. Results for our Same Properties Portfolio exclude our joint venture property, any properties that were acquired or sold during 2016 or 2015, interest income from our note receivable, interest expense and corporate general and administrative expenses. For the comparison of the years ended December 31, 2016 and 2015, our Total Portfolio includes the properties in our Same Properties Portfolio, the 41 properties aggregating approximately 5.5 million rentable square feet that were acquired during 2016 and 2015, and the five properties aggregating approximately 0.3 million rentable square feet that were sold during 2016.

As of December 31, 2016 and 2015, our Same Properties Portfolio occupancy was approximately 96.1% and 93.0%, respectively. For the years ended December 31, 2016 and 2015, our Same Properties Portfolio weighted average occupancy was approximately 93.4% and 90.7%, respectively.

	Same Properties Portfolio					Total Portfolio				
	Year Ended December 31, 2016		Increase/ (Decrease)		% Change	Year Ended December 31, 2016		Increase/ (Decrease)		% Change
	2016	2015				2016	2015			
	(\$ in thousands)									
RENTAL REVENUES										
Rental revenues	\$77,450	\$71,802	\$ 5,648	7.9	%	\$107,594	\$81,114	\$ 26,480	32.6	%
Tenant reimbursements	10,352	9,668	684	7.1	%	16,723	10,479	6,244	59.6	%
Other income	626	929	(303)	(32.6)	%	943	1,013	(70)	(6.9)	%
TOTAL RENTAL REVENUES	88,428	82,399	6,029	7.3	%	125,260	92,606	32,654	35.3	%
Management, leasing and development services	—	—	—	—	%	473	584	(111)	(19.0)	%
Interest income	—	—	—	—	%	459	710	(251)	(35.4)	%
TOTAL REVENUES	88,428	82,399	6,029	7.3	%	126,192	93,900	32,292	34.4	%
EXPENSES										
Property expenses	23,734	22,488	1,246	5.5	%	33,619	25,000	8,619	34.5	%
General and administrative	—	—	—	—	%	17,415	15,016	2,399	16.0	%
Depreciation and amortization	33,611	36,570	(2,959)	(8.1)	%	51,407	41,837	9,570	22.9	%
TOTAL OPERATING EXPENSES	57,345	59,058	(1,713)	(2.9)	%	102,441	81,853	20,588	25.2	%
OTHER EXPENSE										
Acquisition expenses	—	—	—	—	%	1,855	2,136	(281)	(13.2)	%
Interest expense	—	—	—	—	%	14,848	8,453	6,395	75.7	%
TOTAL OTHER EXPENSE	—	—	—	—	%	16,703	10,589	6,114	57.7	%
TOTAL EXPENSES	57,345	59,058	(1,713)	(2.9)	%	119,144	92,442	26,702	28.9	%
Equity in income from unconsolidated real estate entities	—	—	—			1,451	93	1,358		
Gain from early repayment of note receivable	—	—	—			—	581	(581)		

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Loss on extinguishment of debt	—	—	—	—	(182) 182
Gain on sale of real estate	—	—	—	17,377	—	17,377
NET INCOME	\$31,083	\$23,341	\$ 7,742	\$25,876	\$1,950	\$ 23,926

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Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by \$5.6 million, or 7.9%, and \$26.5 million, or 32.6%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase in our Same Properties Portfolio is primarily due to the increase in our average occupancy for comparable periods and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the revenues from the 41 properties we acquired during 2015 and 2016.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased \$0.7 million, or 7.1%, and increased \$6.2 million or 59.6%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to the lease-up of completed triple net repositioning properties during 2015 and supplemental assessments of certain of our properties resulting in lower reimbursable real estate taxes during the year ended December 31, 2015. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 41 properties we acquired during 2015 and 2016.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased by \$0.3 million, or 32.6%, and \$0.1 million, or 6.9%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The decrease in our Same Properties Portfolio other income is primarily due to a decrease in filming income at one of our properties and a decrease in late fee income and other miscellaneous tenant income. The decrease in our Total Portfolio income is primarily due to a decrease in miscellaneous tenant income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by \$0.1 million, or 19.0%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to our acquisition of the property located at 3233 Mission Oaks Boulevard from the JV in July 2016. Prior to this acquisition, we earned fees and commissions for providing property and construction management services for the property.

Interest Income

Our Total Portfolio interest income decreased by \$0.3 million, or 35.4%, during the year ended December 31, 2016, compared to the year ended December 31, 2015. Interest income for the year ended December 31, 2016, relates to the \$6.0 million Rancho Loan that bore interest at 10.0% per annum. Interest income for the year ended December 31, 2015, relates to a mortgage note receivable that was repaid on August 21, 2015, ahead of its scheduled maturity. The mortgage note receivable was secured by an industrial property located at 32401-32803 Calle Perfecto and bore interest at 6.001% per annum (the "Calle Perfecto Note").

Property Expenses

Our Same Properties Portfolio property expenses increased by \$1.2 million or 5.5%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to an increase in real estate tax expense and repairs and maintenance. The increase in real estate tax expense was due to supplemental assessments of certain of our properties resulting in lower real estate taxes during the year ended December 31, 2015, and a decrease in capitalized real estate taxes for properties under repositioning for comparable periods. Our Total Portfolio property expenses increased by \$8.6 million, or 34.5%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily as a result of the incremental expenses from the 41 properties we acquired during 2015 and 2016.

General and Administrative

Our Total Portfolio general and administrative expenses increased by \$2.4 million, or 16.0% for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is primarily due to the following: (i) a \$2.0 million increase in non-cash equity compensation expense primarily due to equity grants made in December 2015, (ii) a \$0.9 million increase in bonus expense due to Company performance, (iii) a \$0.7 million increase in payroll and employment related costs primarily due to an increase in headcount, (iv) a \$0.4 million increase in other various corporate expenses and (v) a \$0.4 million increase in professional service and consulting fees. These increases were partially offset by the following: (i) a \$1.6 million decrease in legal fees, which includes a \$1.0 million insurance reimbursement of legal fees related to prior litigation received during the year ended December 31, 2016, and (ii) a \$0.5 million decrease in professional audit, Sarbanes-Oxley Act compliance and tax fees.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$3.0 million, or 8.1%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during 2015 and 2016, partially offset by an increase in depreciation expense related to capital improvements. Our Total Portfolio depreciation and amortization expense increased \$9.6 million, or 22.9%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to incremental expense from the 41 properties we acquired during 2015 and 2016, and an increase in depreciation expense related to capital improvements, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$0.3 million, or 13.2%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to lower brokerage fees related to acquisitions completed during the current year.

Interest Expense

Our Total Portfolio interest expense increased by \$6.4 million, or 75.7%, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is primarily due to the following: (i) an increase in interest expense from the \$225 million term loan facility which was fully drawn upon in April 2016, (ii) the issuance of \$100 million of 4.29% fixed rate senior notes in August 2015 and subsequent repayment of two secured loans aggregating \$91.3 million with a weighted average interest rate of LIBOR plus 1.76% and (iii) the effect of four interest rate swaps, with an aggregate notional value of \$160 million, that became effective between January 2015 and February 2016. These increases were partially offset by the following: (i) higher capitalized interest resulting from an increase in construction activity related to our repositioning properties and (ii) a decrease in interest expense from the reduced usage of our unsecured revolving credit facility during 2016.

Equity in Income from Unconsolidated Real Estate Entities

Our Total Portfolio equity in income from unconsolidated real estate entities increased by \$1.4 million for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to the acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from the JV on July 6, 2016. For additional information, see Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

Gain from Early Repayment of Note Receivable

The gain from early repayment of note receivable of \$0.6 million for the year ended December 31, 2015, represents the recognition of the unamortized accretable yield related to the collection of the Calle Perfecto Note.

Loss on Extinguishment of Debt

During the year ended December 31, 2015, we repaid the \$48.5 million term loan secured by eight of our properties and the mortgage loan encumbering the property located at 2980-2990 San Fernando Road. The loss on extinguishment of debt of \$0.2 million represents the write-off of \$0.3 million of unamortized deferred loan costs related to the term loan, partially offset by the write-off of the \$0.1 million unamortized loan premium related to the

mortgage loan. We repaid both loans in advance of the maturity date without incurring prepayment fees.

Gain on Sale of Real Estate

During the year ended December 31, 2016, we recognized a total gain of \$17.4 million from the disposition of five properties that were sold for an aggregate gross sales price of \$40.7 million.

Non-GAAP Supplemental Measure: Funds From Operations

We calculate funds from operations (“FFO”) attributable to common stockholders 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 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):

	Year Ended December 31,		
	2017	2016	2015
Net income	\$41,700	\$25,876	\$1,950
Add:			
Depreciation and amortization	64,852	51,407	41,837
Depreciation and amortization from unconsolidated joint ventures ⁽¹⁾	—	10	57
Deduct:			
Gain on sale of real estate	(29,573)	(17,377)	—
Gain on acquisition of unconsolidated joint venture property ⁽²⁾	(11)	(1,332)	—
Funds from operations (FFO)	\$76,968	\$58,584	\$43,844
Less: preferred stock dividends	(5,875)	(1,983)	—
Less: FFO attributable to noncontrolling interest ⁽³⁾	(1,914)	(1,751)	(1,644)
Less: FFO attributable to participating securities ⁽⁴⁾	(546)	(473)	(322)
FFO attributable to common stockholders	\$68,633	\$54,377	\$41,878

⁽¹⁾ Amount reflects our 15% ownership interest in the JV that owned the property located at 3233 Mission Oaks Boulevard for all periods prior to July 6, 2016, when we acquired the remaining 85% ownership interest.

Amounts relate to the Company’s acquisition of the remaining 85% ownership interest in the property located at (2)3233 Mission Oaks Boulevard from the JV. See Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

⁽³⁾ Noncontrolling interest represent holders of outstanding common units of our Operating Partnership that are owned by unit holders other than Rexford Industrial Realty, Inc.

- (4) Participating securities include unvested shares of restricted stock, unvested LTIP units of partnership interest in our Operating Partnership and unvested performance units in our Operating Partnership.

Non-GAAP Supplemental Measure: NOI and Cash NOI

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

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

	Year Ended December 31,		
	2017	2016	2015
Rental income	\$136,185	\$107,594	\$81,114
Tenant reimbursements	23,363	16,723	10,479
Other income	869	943	1,013
Total operating revenues	160,417	125,260	92,606
Property expenses	42,139	33,619	25,000
Net Operating Income	\$118,278	\$91,641	\$67,606
Amortization of (below) above market lease intangibles, net	(2,270)	(78)	202
Straight line rental revenue adjustment	(4,737)	(4,507)	(3,425)
Cash Net Operating Income	\$111,271	\$87,056	\$64,383

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):

	Year Ended December 31,		
	2017	2016	2015
Net income	\$41,700	\$25,876	\$1,950
Add:			
General and administrative	21,610	17,415	15,016
Depreciation and amortization	64,852	51,407	41,837
Acquisitions expense	454	1,855	2,136
Interest expense	20,209	14,848	8,453
Loss on extinguishment of debt	—	—	182
Deduct:			
Management, leasing and development services	493	473	584
Interest income	445	459	710
Equity in income from unconsolidated real estate entities	11	1,451	93
Gain from early repayment of note receivable	—	—	581
Gain on extinguishment of debt	25	—	—
Gain on sale of real estate	29,573	17,377	—
Net Operating Income	\$118,278	\$91,641	\$67,606
Amortization of (below) above market lease intangibles, net	(2,270)	(78)	202
Straight line rental revenue adjustment	(4,737)	(4,507)	(3,425)
Cash Net Operating Income	\$111,271	\$87,056	\$64,383

Non-GAAP Supplemental Measure: EBITDA

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

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

	Year Ended December 31,		
	2017	2016	2015
Net income	\$41,700	\$25,876	\$1,950
Interest expense	20,209	14,848	8,453
Depreciation and amortization	64,852	51,407	41,837
Proportionate share of real estate related depreciation and amortization from unconsolidated joint venture ⁽¹⁾	—	10	57
EBITDA	\$126,761	\$92,141	\$52,297

⁽¹⁾ Amount reflects our 15% ownership interest in the JV that owned the property located at 3233 Mission Oaks Boulevard for all periods prior to July 6, 2016, when we acquired the remaining 85% ownership interest.

Financial Condition, Liquidity and Capital Resources

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 the ATM Program described below.

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

As of December 31, 2017, our cash and cash equivalents were approximately \$6.6 million, and we had \$60.0 million outstanding under our unsecured revolving credit facility, leaving \$290.0 million available for additional borrowings.

Sources of Liquidity

Cash Flow from Operations

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

ATM Program

On September 21, 2017, we established a new at-the-market equity offering program (the "\$300 Million ATM Program") pursuant to which we may sell from time to time up to an aggregate of \$300.0 million of our common stock through sales agents. The \$300 Million ATM Program replaces our previous \$150.0 million at-the-market equity offering program, which was established on June 12, 2017 (the "\$150 Million ATM Program"). As of December 31, 2017, all \$150.0 million of shares of our common stock under the \$150 Million ATM Program had been sold. In addition, we previously had a \$125.0 million at-the-market program that was established on April 17, 2015, of which all \$125.0 million of shares of our common stock have been sold as of December 31, 2017.

During the year ended December 31, 2017, we sold 11,968,927 shares of our common stock under our various at-the-market equity offering programs, at a weighted average price of \$28.13 per share, for gross proceeds of \$336.6 million, and net proceeds of \$331.6 million, after deducting the sales agents' fee. As of December 31, 2017, we had the capacity to issue up to an additional \$229.0 million of common stock under the \$300 Million ATM Program.

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

Equity Offerings

On November 13, 2017, we completed an underwritten public offering of 3,000,000 shares of our 5.875% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at a price of \$25.00 per share. The net proceeds from the offering were approximately \$72.5 million after deducting the underwriters' discount and offering costs totaling \$2.5 million. We used the net proceeds from the offering to fund various acquisitions and for general corporate purposes.

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 or repositioning costs, 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 Code ("1031 Exchange"), when possible, to defer some or all of the taxable gains, if any, on dispositions.

During the year ended December 31, 2017, we completed the sale of six of our properties for a total gross sales price of \$98.7 million and total net cash proceeds of \$96.0 million. Total net cash proceeds of \$77.8 million from five of the dispositions were used to partially fund the acquisition of four properties through 1031 Exchange transactions.

Subsequent to December 31, 2017, we completed the sale of our property located at 8900-8980 Benson Avenue and 5637 Arrow Highway for a gross sales price of \$11.4 million and net cash proceeds of \$10.7 million. Through a 1031 Exchange transaction, the cash proceeds were used to purchase the property located at 13971 Norton Avenue in Valencia, California for a contract price of approximately \$11.4 million.

Subsequent to December 31, 2017, we also completed the sale of our property located at 700 Allen Avenue and 1830 Flower Street for a gross sales price of \$10.9 million and net cash proceeds of \$10.3 million. These net cash proceeds are being held at a qualified intermediary to facilitate a future 1031 Exchange transaction.

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

Amended Credit Agreement

On February 14, 2017, we amended our \$300 million unsecured credit facility by entering into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility (the "Amended Revolver") and a \$100 million unsecured term loan facility (the "Amended \$100 Million Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021 and has two six-month extension options available for a maximum maturity date of February 14, 2022, subject to certain conditions and the payment of an additional fee. The Amended \$100 Million Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended \$100 Million Term Loan, additional term loan tranches or any combination of the foregoing.

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

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

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

the event that we convert the pricing

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structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

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

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

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

As of the filing date of this Annual Report on Form 10-K, we had borrowings of \$91.0 million outstanding under the Amended Revolver, leaving \$259.0 million available for future borrowings.

Note Purchase and Guarantee Agreement

On July 13, 2017, we entered into a Note Purchase and Guarantee Agreement (the "NPGA") for the private placement of \$125.0 million of senior unsecured guaranteed notes, maturing on July 13, 2027, with a fixed annual interest rate of 3.93% (the "\$125 Million Notes"), and interest payable quarterly, commencing on October 13, 2017. On July 13, 2017, we completed the issuance of the \$125 Million Notes. The net proceeds from the issuance of the \$125 Million Notes were used to partially fund the acquisition of a 1.2 million rentable square foot industrial business park with a contract price of \$210.5 million.

Investment Grade Rating

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

Uses of Liquidity

Acquisitions

One of our most significant liquidity needs has historically been for the acquisition of real estate properties. During the year ended December 31, 2017, we acquired 21 properties, aggregating 4.2 million square feet, for an aggregate cost of \$666.7 million, and as part of our growth strategy, we are actively monitoring a volume of properties in our markets that we believe represent attractive potential investment opportunities. As of the filing date of this Annual Report on Form 10-K, we have \$184.5 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. During the year ended December 31, 2017, we incurred \$2.5 million of recurring capital expenditures, which was a decrease of \$0.3

million over the prior year. During the year ended December 31, 2017, we incurred \$35.2 million of non-recurring capital expenditures, which

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was an increase of \$14.0 million over the prior year. The increase in non-recurring capital expenditures is primarily due to an increase in our redevelopment and repositioning activity and the growth of our overall portfolio. As discussed above under —Factors that May Influence Future Results—Acquisitions and Development of Properties, as of December 31, 2017, five of our properties were in various stages of redevelopment and repositioning or lease-up, and we anticipate beginning repositioning work on three additional properties during 2018. We currently estimate that approximately \$43.0 million of capital will be required over the next six quarters (1Q-2018 through 2Q-2019) to complete the redevelopment and repositioning of these properties. However, this estimate is based on our current construction plan and budgets, both of which are subject to change as a result of a number of factors. If we are unable to complete construction on schedule or within budget, we could incur increased construction costs and experience potential delays in leasing the properties. We expect to fund these projects through a combination of cash flow from operations, the issuance of common stock under the \$300 Million ATM Program and borrowings available under the Amended Revolver.

Commitments and Contractual Obligations

The following table sets forth our principal obligations and commitments as of December 31, 2017, including (i) scheduled principal payments and debt maturities, (ii) periodic interest payments related to our outstanding indebtedness and interest rate swaps, (iii) office and ground lease payments and (iv) other contractual obligations (in thousands):

	Payments by Period						
	Total	2018	2019	2020	2021	2022	Thereafter
Principal payments and debt maturities	\$671,658	\$933	\$58,266	\$166	\$60,175	\$100,184	\$451,934
Interest payments - fixed rate debt ⁽¹⁾	83,268	9,341	9,333	9,325	9,316	4,394	41,559
Interest payments - variable rate debt ⁽²⁾	53,814	13,521	12,226	11,030	9,545	7,224	268
Office lease payments	1,636	783	569	164	120	—	—
Ground lease payments	6,396	144	144	144	144	144	5,676
Contractual obligations ⁽³⁾	18,993	18,993	—	—	—	—	—
Total	\$835,765	\$43,715	\$80,538	\$20,829	\$79,300	\$111,946	\$499,437

(1) Reflects scheduled interest payments on our fixed rate debt, including the \$100 Million Notes, the \$125 Million Notes and the Gilbert/La Palma mortgage loan.

(2) Reflects an estimate of interest payments due on variable rate debt, including the impact of interest rate swaps. For variable rate debt where interest is paid based on LIBOR plus an applicable LIBOR margin, we used the applicable LIBOR margin in effect as of December 31, 2017, and the one-month LIBOR rate of 1.5643%, as of December 31, 2017. Furthermore, assumes that any maturity extension options available to us are not exercised.

(3) Includes total commitments for tenant improvement and construction work related to obligations under certain tenant leases and vendor contracts. We anticipate these obligations to be paid as incurred in 2018 and 2019, 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 “2018.”

Dividends and Distributions

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

On February 12, 2018, our board of directors declared a quarterly cash dividend in the amount of \$0.16 per share of common stock and a quarterly cash distribution in the amount of \$0.16 per OP Unit, to be paid on April 16, 2018, to holders of record as of March 30, 2018.

On February 12, 2018, our board of directors declared a quarterly cash dividend in the amount of \$0.367188 per share of the Series A Preferred Stock, to be paid on March 30, 2018, to holders of record as of March 15, 2018. On

February 12, 2018, our board of directors also declared a pro-rata cash dividend, for the period beginning on November 13, 2017, the original issuance

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date of the Series B Preferred Stock, to March 31, 2018, in the amount of \$0.563021 per share of the Series B Preferred Stock, to be paid on March 30, 2018, to holders of record as of March 15, 2018.

Consolidated Indebtedness

The following table sets forth certain information with respect to our consolidated indebtedness outstanding as of December 31, 2017:

	Maturity Date	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	Maturity Date of Effective Swaps
Secured Debt:					
\$60M Term Loan ⁽³⁾	8/1/2019 ⁽³⁾	LIBOR + 1.90%	3.816 % ⁽⁴⁾	\$ 58,891	2/15/2019
Gilbert/La Palma	3/1/2031	5.125%	5.125 %	2,767	—
Unsecured Debt:					
Amended \$100 Million Term Loan	2/11/2022	LIBOR +1.20% ⁽⁵⁾	3.098 % ⁽⁶⁾	100,000	12/14/2018
Amended Revolver ⁽⁷⁾	2/12/2021 ⁽⁸⁾	LIBOR +1.10% ⁽⁵⁾	2.664 %	60,000	—
\$225 Million Term Loan Facility	1/14/2023	LIBOR +1.50% ⁽⁵⁾	3.064 % ⁽⁹⁾	225,000	—
\$100 Million Senior Notes	8/6/2025	4.290%	4.290 %	100,000	—
\$125 Million Senior Notes	7/13/2027	3.930%	3.930 %	125,000	—
Total Debt:			3.452 %	\$ 671,658	

Includes the effect of interest rate swaps that were effective as of December 31, 2017. Assumes a one-month

(1) LIBOR rate of 1.56425% as of December 31, 2017, as applicable. Excludes the effect of amortization of debt issuance costs, discounts and the facility fee on the Amended Revolver.

(2) Excludes unamortized debt issuance costs and debt discounts totaling \$2.7 million as of December 31, 2017.

(3) One additional one-year extension is available, if certain conditions are satisfied.

As of December 31, 2017, this term loan has been effectively fixed at 3.816% through the use of two interest rate

(4) swaps as follows: (i) \$30 million at 3.726% with an effective date of January 15, 2015, and (ii) \$28.9 million at 3.91% with an effective date of July 15, 2015.

The LIBOR margin will range from 1.20% to 1.70% for the Amended \$100 Million Term Loan, 1.10% to 1.50% for the Amended Revolver and 1.50% to 2.25% for our \$225 million term loan facility depending on our leverage (5) 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.

As of December 31, 2017, the Amended \$100 Million Term Loan has been effectively fixed at 1.8975%, plus the applicable LIBOR margin, through the use of two interest rate swaps as follows: (i) \$50 million with a strike rate (6) of 1.79% with an effective date of August 14, 2015, and (ii) \$50 million with a strike rate of 2.005% with an effective date of February 16, 2016.

The Amended Revolver is subject to an applicable facility fee which is calculated as a percentage of the total (7) lenders' commitment amount, regardless of usage. The applicable facility fee will range from 0.15% to 0.30% depending upon our leverage ratio.

(8) Two additional six-month extension available at the borrower's option.

As of December 31, 2017, we have executed two interest rate swaps that will effectively fix the interest on the \$225 million term loan facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from (9) February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of December 31, 2017:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	% of Total
Fixed vs. Variable:					
Fixed	6.5	3.799%	3.799%	\$ 386,658	58%
Variable	4.6	LIBOR + 1.416%	2.980%	\$ 285,000	42%
Secured vs. Unsecured:					
Secured	2.1	--	3.875%	\$ 61,658	9%
Unsecured	6.0	--	3.409%	\$ 610,000	91%

Includes the effect of interest rate swaps that were effective as of December 31, 2017. Excludes the effect of (1) amortization of debt issuance costs, discounts and the facility fee on the Amended Revolver. Assumes a one-month LIBOR rate of 1.56425% as of December 31, 2017, as applicable.

(2) Excludes unamortized debt issuance costs and net debt premiums aggregating \$2.7 million as of December 31, 2017.

At December 31, 2017, we had total indebtedness of \$671.7 million, excluding unamortized debt issuance costs and debt discounts, with a weighted average interest rate of approximately 3.45% and an average term-to-maturity of 5.7 years. As of December 31, 2017, \$386.7 million, or 58%, of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan (\$227.8 million) or an interest rate swap (\$158.9 million). We have two interest rate swaps that will effectively fix the interest on our \$225 million unsecured term loan facility (the “\$225 Million Term Loan Facility”) as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022. If these two interest rate swaps were effective as of December 31, 2017, our consolidated debt would be 91% fixed-rate and 9% variable-rate.

At December 31, 2017, we had total indebtedness of approximately \$671.7 million, reflecting a net debt to total combined market capitalization of approximately 21.0%. Our total combined market capitalization is defined as the sum of the liquidation value of our preferred stock plus the market value of our common stock excluding shares of nonvested restricted stock, plus the aggregate value of common units not owned by us, plus the value of our net debt. Our net debt is defined as our consolidated indebtedness less cash and cash equivalents.

Debt Covenants

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

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

• For the Amended Credit Agreement and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;

• For the \$100 Million Notes and the \$125 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;

• Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;

• Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;

• Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.50 to 1.0;

• Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%;

• Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes also contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as defined in each of the loan agreements) and (2) the amount required for us to qualify and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

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

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

• Maintaining a Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00, to be tested quarterly;

• Maintaining Unencumbered Liquid Assets (as defined in the term loan agreement) of not less than (i) \$5 million, or (ii) \$8 million if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2 million must be cash or cash equivalents, to be tested annually as of December 31 of each year;

• Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75 million, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly and annual debt covenants as of December 31, 2017.

Off Balance Sheet Arrangements

As of December 31, 2017, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Year Ended December 31, 2017 to the Year Ended December 31, 2016

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December		
	2017	2016	Change
Cash provided by operating activities	\$76,650	\$56,432	\$20,218
Cash used in investing activities	\$(606,900)	\$(361,214)	\$(245,686)
Cash provided by financing activities	\$521,595	\$315,106	\$206,489

Net cash provided by operating activities. Net cash provided by operating activities increased by \$20.2 million to \$76.7 million for the year ended December 31, 2017, compared to \$56.4 million for the year ended December 31, 2016. The increase was primarily attributable to incremental cash flows from property acquisitions completed subsequent to January 1, 2016, and the increase in Cash NOI from our Same Properties Portfolio and changes in working capital, partially offset by higher cash interest paid for comparable periods.

Net cash used in investing activities. Net cash used in investing activities increased by \$245.7 million to \$606.9 million for the year ended December 31, 2017, compared to \$361.2 million for the year ended December 31, 2016. The increase was primarily attributable to a \$299.2 million increase in cash paid for property acquisitions, including related deposits, partially offset by a \$57.5 million increase in net proceeds received from the sale of properties for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities increased by \$206.5 million to \$521.6 million for the year ended December 31, 2017, compared to \$315.1 million for the year ended December 31, 2016. The increase was primarily attributable to (i) an increase of \$349.0 million in draws on our unsecured revolving credit facility, (ii) an increase of \$147.5 million in net cash proceeds from the sale of common shares for comparable periods and (iii) an increase of \$125.0 million in cash proceeds from the issuance of the \$125 Million Notes in July 2017. These increases were partially offset by (i) a decrease of \$225.0 million in borrowings on the \$225 Million Term Loan Facility which was fully drawn upon in April 2016, (ii) an increase of \$148.5 million in paydowns on our unsecured revolving credit facility for comparable periods, (iii) the repayment of two secured mortgage loans totaling \$14.9 million in 2017, (iv) a decrease of \$14.2 million in net cash proceeds from the issuance of preferred stock for comparable periods and (v) an increase of \$10.8 million in dividends and distributions paid for comparable periods, primarily resulting from an increase in the number of common shares outstanding and the issuance of the Series A Preferred Stock in August 2016.

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

The following table summarizes the cash flows of Rexford Industrial Realty, Inc. for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		
	2016	2015	Change
Cash provided by operating activities	\$56,432	\$40,508	\$15,924
Cash used in investing activities	\$(361,214)	\$(236,774)	\$(124,440)
Cash provided by financing activities	\$315,106	\$192,861	\$122,245

Net cash provided by operating activities. Net cash provided by operating activities increased by \$15.9 million to \$56.4 million for the year ended December 31, 2016, compared to \$40.5 million for the year ended December 31, 2015. The increase was primarily attributable to incremental cash flows from property acquisitions completed after January 1, 2015, and the increase in Cash NOI from our Same Properties Portfolio, partially offset by higher cash interest paid for comparable periods.

Net cash used in investing activities. Net cash used in investing activities increased by \$124.4 million to \$361.2 million for the year ended December 31, 2016, compared to \$236.8 million for the year ended December 31, 2015. The increase was primarily attributable to the \$139.1 million increase in cash paid for property acquisitions and the \$9.7 million increase in cash paid for construction and repositioning projects for comparable periods, partially offset by aggregate net proceeds of \$38.5 million received from five real estate dispositions completed during 2016.

Net cash provided by financing activities. Net cash provided by financing activities was \$315.1 million for the year ended December 31, 2016, and consisted primarily of \$174.4 million in net cash proceeds raised from the issuance of 10.35 million shares of common stock, \$86.7 million in net cash proceeds raised from the issuance of 3.6 million shares of Series A Preferred Stock and gross proceeds of \$225.0 million from borrowings made under the \$225 Million Term Loan Facility, partially offset by the repayment of \$140.5 million of net borrowings outstanding under our unsecured revolving credit facility and the payment of \$36.0 million in dividends and distributions. Net cash provided by financing activities was \$192.9 million for the year ended December 31, 2015, and consisted primarily of \$176.2 million in net proceeds raised from the issuance of 11.5 million shares of common stock, proceeds of \$100.0 million received from the issuance of the \$100 Million Notes and net borrowings of \$48.0 million on our unsecured revolving credit facility, partially offset by the repayment of three secured loans aggregating \$101.4 million, the payment of \$27.1 million in dividends and distributions, and the payment of \$0.8 million of debt issuance costs related to new borrowings.

Inflation

The majority of our leases are either triple net or provide for tenant reimbursement for costs related to real estate taxes and operating expenses. In addition, most of the leases provide for fixed rent increases. We believe that inflationary

increases to real estate taxes, utility expenses and other operating expenses may be partially offset by the contractual rent increases and tenant payment of taxes and expenses described above. We do not believe that inflation has had a material impact on our historical financial position or results of operations.

Item 7A. 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 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources. For a summary of our interest rate swaps, see Note 7 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

As of December 31, 2017, interest on our \$60.0 million amortizing term loan has been effectively fixed through the use of two interest rate swaps, with notional values of \$30.0 million and \$28.9 million, respectively. The first interest rate swap, which is effective for the period from January 15, 2015 to February 15, 2019, currently fixes the annual interest rate payable at 3.726%. The second interest rate swap, which is an amortizing swap, is effective for the period from July 15, 2015 to February 15, 2019, and currently fixes the annual interest rate payable at 3.91%.

As of December 31, 2017, interest on the \$100 Million Amended Term Loan Facility has been effectively fixed through the use of two interest rate swaps, each with a notional value of \$50.0 million. The first interest rate swap has an effective date of August 14, 2015, and a maturity date of December 14, 2018, and the second interest rate swap has an effective date of February 16, 2016, and a maturity date of December 14, 2018. The two interest rate swaps currently fix the annual interest rate payable on the \$100 million term loan facility as follows: 1.79% for the first \$50.0 million and 2.005% for the second \$50.0 million, plus an applicable margin under the terms of the Amended Credit Agreement.

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

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

As of December 31, 2017, we had total indebtedness, excluding unamortized debt issuance costs and discounts, of \$671.7 million. Of this total, \$386.7 million, or 58%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining \$285.0 million, or 42%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of December 31, 2017, if LIBOR were to increase by 50 basis points, the increase in interest expense on our variable-rate debt would decrease our future earnings and cash flows by approximately \$1.4 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would increase our future earnings and cash flows by approximately \$1.4 million annually. Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our financial instruments. We calculate interest sensitivity by multiplying the amount of variable rate debt outstanding by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of our floating rate debt or the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to

further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assume no changes in our financial structure.

Item 8. Financial Statements and Supplementary Data

All information required by this item is listed in the Index to Financial Statements in Part IV, Item 15(a)(1).

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. 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 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 SEC'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 the Co-Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of December 31, 2017, the end of the period covered by this report. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2017 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no significant changes that occurred during the fourth quarter of the most recent year covered by this report in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, our Co-Chief Executive Officers and Chief Financial Officer and effected by our board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the consolidated financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company has used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess our internal control over financial reporting. Based upon this assessment, management concluded that internal control over financial reporting operated effectively as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein within Item 15. See Report of Independent Registered Public Accounting Firm.

Item 9B. 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, (i) the discussion under the heading “U.S. Federal Income Tax Considerations”

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in Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on February 28, 2017, (ii) the discussion under the heading “U.S. Federal Income Tax Considerations” in Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on August 8, 2016, (iii) the discussion under the heading “U.S. Federal Income Tax Considerations” in the prospectus dated April 11, 2016, which is (a) a part of our Registration Statement on Form S-3 (File No. 333-210691) filed with the SEC on April 11, 2016 and (b) attached to the prospectus supplement dated September 21, 2017 filed by the Company with the SEC on September 21, 2017; (iv) the discussion under the heading “U.S. Federal Income Tax Considerations” in Exhibit 99.5 to the Company’s Current Report on Form 8-K filed with the SEC on April 11, 2016; and (v) the disclosure under the heading “U.S. Federal Income Tax Considerations” in the prospectus dated August 5, 2014, which is a part of our Registration Statement on Form S-3 (File No. 333-197849) filed with the SEC on August 5, 2014 and declared effective on August 12, 2014.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated by reference.

Item 11. Executive Compensation

The information required by Item 11 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2017 and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) and (2) Financial Statements and Schedules

The following financial information is included in Part IV of this Report on the pages indicated:

<u>Reports of Independent Registered Public Accounting Firm</u>	F-1
Audited Consolidated Financial Statements of Rexford Industrial Realty, Inc.:	
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	F-3
<u>Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016, and 2015</u>	F-4
<u>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015</u>	F-5
<u>Consolidated Statements of Changes in Equity for the Years ended December 31, 2017, 2016 and 2015</u>	F-6
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015</u>	F-8
<u>Notes to Consolidated Financial Statements</u>	F-9
<u>Schedule III – Real Estate and Accumulated Depreciation</u>	F-45

All other schedules are omitted because the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

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(3). Exhibits

Exhibit Number	Exhibit Description	Form	File No.	Exhibit No.	Filing Date
2.1	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund I, LLC</u>	10-Q	001-36008	2.1	9/3/2013
2.2	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund II, LLC</u>	10-Q	001-36008	2.2	9/3/2013
2.3	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund III, LLC</u>	10-Q	001-36008	2.3	9/3/2013
2.4	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund IV, LLC</u>	10-Q	001-36008	2.4	9/3/2013
2.5	<u>Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc. and Rexford Industrial Fund V REIT, LLC</u>	10-Q	001-36008	2.5	9/3/2013
2.6	<u>Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Rexford Industrial Fund V, LP</u>	10-Q	001-36008	2.6	9/3/2013
2.7	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Allan Ziman, as Special Trustee of the Declaration of Trust of Jeanette Rubin trust, dated August 16, 1978, as amended</u>	10-Q	001-36008	2.7	9/3/2013
2.8	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and the Contributors named therein</u>	10-Q	001-36008	2.8	9/3/2013
2.9	<u>Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Christopher Baer</u>	10-Q	001-36008	2.9	9/3/2013
2.10	<u>Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Industrial Merger Sub LLC, and Rexford Industrial, LLC</u>	10-Q	001-36008	2.10	9/3/2013
2.11	<u>Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Fund V Manager Merger Sub LLC, and Rexford Fund V Manager LLC</u>	10-Q	001-36008	2.11	9/3/2013
2.12	<u>Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Sponsor V Merger Sub LLC, and Rexford Sponsor V LLC</u>	10-Q	001-36008	2.12	9/3/2013
2.13	<u>Representation, Warranty and Indemnity Agreement by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Richard Ziman, Howard Schwimmer and Michael S. Frankel</u>	10-Q	001-36008	2.13	9/3/2013
2.14	<u>Indemnity Escrow Agreement, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc., acting in the capacity of escrow agent, Richard Ziman, Howard Schwimmer and Michael S. Frankel</u>	10-Q	001-36008	2.14	9/3/2013
2.15	<u>Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of May 19, 2014, among Westcore Cabot, L.P., a Delaware limited partnership, and Westcore Distribution, LLC, Westcore</u>	8-K/A	001-36008	2.1	7/2/2014

Distribution II, LLC, Westcore Hunter, LLC, Westcore Salt Lake Avenue, LLC, Westcore Valley, LLC, and Westcore Alton, LLC (all Delaware limited liability companies) and Rexford Industrial Realty, L.P., as amended on May 27, 2014, May 30, 2014, June 4, 2014, June 13, 2014 and June 24, 2014

2.16	<u>Purchase and Sale Agreement by and between LBA/PPF Industrial – Mason, LLC., as Seller, and Rexford Industrial Realty, L.P., as Buyer, for 9120 Mason Avenue and 20355 Corisco Street, Chatsworth, California Dated as of August 18, 2014</u>	8-K	001-36008	2.1	9/15/2014
2.17	<u>Agreement of Purchase and Sale and Joint Escrow Instructions By and Between Laro Properties, L.P., as Seller, and Rexford Industrial Realty, L.P., a Maryland limited partnership, as Purchaser, for 12907 Imperial Hwy, Santa Fe Springs, California, 10509 Business Drive, Fontana, California, 13231 Slover Avenue, Fontana, California, Dated as of November 4, 2014, and as amended on November 26, 2014</u>	8-K	001-36008	2.1	12/8/2014
2.18	<u>Stock Purchase Agreement by and among Atlantic CT Holdings, LLC, Atlantic CT REIT, Inc. and Rexford Industrial Realty, L.P. dated April 11, 2016.</u>	8-K	001-36008	2.1	4/11/2016
2.19	<u>Agreement of Purchase and Sale by and between Safari Industrial Corporation, as Seller, and Rexford Industrial Realty, L.P., as Purchaser, dated as of May 2, 2017, as amended on July 10, 2017.</u>	10-Q	001-36008	10.1	8/4/2017

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2.20	<u>Agreement of Purchase and Sale by and between SVF Safari, LLC, as Seller, and Rexford Industrial Realty, L.P., as Purchaser, dated as of May 2, 2017, as amended on July 10, 2017.</u>	10-Q	001-36008	10.2	8/4/2017
2.21	<u>Purchase and Sale Agreement and Joint Escrow Instructions by and between Rexford Industrial Realty, L.P., as Buyer, and CSHV Rancho Pacifica, LLC, as Seller, dated as of July 5, 2017, as amended July 10, 2017.</u>	10-Q	001-36008	10.3	11/3/2017
3.1	<u>Articles of Amendment and Restatement of Rexford Industrial Realty, Inc.</u>	S-11/A	333-188806	3.1	7/15/2013
3.2	<u>Second Amended and Restated Bylaws of Rexford Industrial Realty, Inc.</u>	8-K	001-36008	3.1	5/26/2017
3.3	<u>Articles Supplementary designating the Series A Preferred Stock of Rexford Industrial Realty, Inc.</u>	8-A	001-36008	3.3	8/15/2016
3.4	<u>Articles Supplementary designating the Series B Preferred Stock of Rexford Industrial Realty, Inc.</u>	8-A12B	001-36008	3.3	11/9/2017
4.1	<u>Form of Certificate of Common Stock of Rexford Industrial Realty, Inc.</u>	S-11/A	333-188806	4.1	7/15/2013
4.2	<u>Form of Specimen Certificate of Series A Preferred Stock of Rexford Industrial Realty, Inc.</u>	8-A	001-36008	4.1	8/15/2016
4.3	<u>Form of Specimen Certificate of Series B Preferred Stock of Rexford Industrial Realty, Inc.</u>	8-A12B	001-36008	4.1	11/9/2017
10.1	<u>Fourth Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P.</u>	8-K	001-36008	3.2	11/13/2017
10.2	<u>Registration Rights Agreement among Rexford Industrial Realty, Inc. and the persons named therein</u>	10-Q	001-36008	10.2	9/3/2013
10.3†	<u>Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P., 2013 Incentive Award Plan</u>	10-Q	001-36008	10.3	9/3/2013
10.4†	<u>Form of Restricted Stock Award Agreement under 2013 Incentive Award Plan</u>	S-11/A	333-188806	10.4	7/15/2013
10.5	<u>Form of Indemnification Agreement between Rexford Industrial Realty, Inc. and its directors and officers</u>	S-11/A	333-188806	10.5	7/9/2013
10.6	<u>Tax Matters Agreement by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and each partner set forth in Schedule I, Schedule II and Schedule III thereto</u>	10-Q	001-36008	10.6	9/3/2013
10.7†	<u>Employment Agreement, dated as of July 24, 2013, between Michael S. Frankel, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	10-Q	001-36008	10.8	9/3/2013
10.8†	<u>First Amendment to Employment Agreement, effective June 26, 2017, between Michael S. Frankel, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	8-K	001-36008	10.2	6/29/2017
10.9†	<u>Employment Agreement, dated as of July 24, 2013, between Howard Schwimmer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	10-Q	001-36008	10.9	9/3/2013
10.10†	<u>First Amendment to Employment Agreement, effective June 26, 2017, between Howard Schwimmer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	8-K	001-36008	10.3	6/29/2017
10.11†	<u>Employment Agreement, effective as of November 25, 2014, between Adeel Khan, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	8-K	001-36008	10.1	12/2/2014

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	<u>First Amendment to Employment Agreement, effective June 26, 2017,</u>				
10.12†	<u>between Adeel Khan, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	8-K	001-36008	10.4	6/29/2017
	<u>Employment Agreement, effective as of June 26, 2017, between</u>				
10.13†	<u>David E. Lanzer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.</u>	8-K	001-36008	10.1	6/29/2017
	<u>Rexford Industrial Realty, Inc. Non-Employee Director Compensation</u>				
10.14†	<u>Program</u>	10-K	001-36008	10.11	3/9/2015
	<u>Form of Rexford Industrial Realty, Inc. and Rexford Industrial Realty,</u>				
10.15†	<u>L.P. Time-Based LTIP Unit Agreement</u>	8-K	001-36008	10.2	12/21/2015
	<u>Form of Rexford Industrial Realty, Inc. and Rexford Industrial Realty,</u>				
10.16†	<u>L.P. OPP Performance Unit Agreement</u>	8-K	001-36008	10.3	12/21/2015

10.17	<u>Term Loan Agreement among RIF I—Don Julian, LLC, RIF I—Lewis Road, LLC, RIF I—Walnut, LLC, RIF I—Oxnard, LLC, RIF II—Kaiser, LLC, RIF III—Irwindale, LLC and Rexford Business Center—Fullerton, LLC, collectively as Borrower, and Bank of America, N.A., as Lender</u>	10-Q	001-36008	10.12	9/3/2013
10.18	<u>The Loan Assumption Agreement dated as of November 8, 2013 between Gilbert LaPalma Properties, LLC, and Rexford Industrial-Gilbert LaPalma, LLC, and American Security Insurance Company, as Lender</u>	10-K	001-36008	10.20	3/20/2014
10.19	<u>Modification and Loan Assumption Agreement, dated January 24, 2014, by and among RIF I—Don Julian, LLC, RIF I—Lewis Road, LLC, RIF I—Oxnard, LLC, RIF I—Walnut, LLC, REXFORD BUSINESS CENTER—FULLERTON, LLC, RIF II—Kaiser, LLC, RIF III—Irwindale, LLC and REXFORD INDUSTRIAL—MADERA INDUSTRIAL, LLC collectively as Borrower, and Bank of America, N.A., as Lender.</u>	8-K	001-36008	10.1	8/12/2014
10.20	<u>Reaffirmation of Guaranty, dated January 24, 2014 by Rexford Industrial Realty, Inc.</u>	8-K	001-36008	10.2	8/12/2014
10.21	<u>Note Purchase and Guarantee Agreement, dated as of July 16, 2015 among the Rexford Industrial Realty L.P., Rexford Industrial Realty, Inc. and the purchasers named therein.</u>	8-K	001-36008	10.1	7/20/2015
10.22	<u>The Assumption Agreement dated as of January 21, 2015 between Laro Properties L.P., and Rexford Industrial-Imperial Highway, LLC, and The Lincoln National Life Insurance Company, as Lender</u>	10-Q	001-36008	10.1	5/11/2015
10.23	<u>Assumption Agreement dated as of December 11, 2015 between Walnut Venture, LLC, as Borrower, Rexford Industrial-1065 Walnut LLC, as Purchaser, the individual Guarantors named therein, Rexford Industrial Realty, Inc., as New Guarantor and The Bank of New York Mellon Trust Company, N.A., in its capacity as directed trustee for Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.</u>	10-K	001-36008	10.24	2/25/2016
10.24	<u>Promissory Note dated January 14, 2014 between Walnut Venture, LLC (predecessor in interest to Rexford Industrial - 1065 Walnut LLC), as Borrower, and Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.</u>	10-K	001-36008	10.25	2/25/2016
10.25	<u>Deed of Trust, Assignment of Rents and Leases, Security Agreement and UCC Financing Statement dated as of January 14, 2014 between Walnut Venture, LLC (predecessor in interest to Rexford Industrial - 1065 Walnut LLC), as Borrower, for the benefit of Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.</u>	10-K	001-36008	10.26	2/25/2016
10.26	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Merrill Lynch, Pierce, Fenner & Smith Incorporated</u>	8-K	001-36008	1.1	9/21/2017
10.27	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and BTIG, LLC</u>	8-K	001-36008	1.2	9/21/2017
10.28	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Capital One Securities, Inc.</u>	8-K	001-36008	1.3	9/21/2017
10.29	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Citigroup Global Markets Inc.</u>	8-K	001-36008	1.4	9/21/2017
10.30		8-K	001-36008	1.5	9/21/2017

	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and J.P. Morgan Securities LLC</u>				
10.31	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Jefferies LLC</u>	8-K	001-36008	1.6	9/21/2017
10.32	<u>Equity Distribution Agreement, dated September 21, 2017, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Stifel, Nicolaus & Company, Incorporated</u>	8-K	001-36008	1.7	9/21/2017
10.33	<u>Credit Agreement, dated as of January 14, 2016, among Rexford Industrial Realty, L.P., Rexford Industrial Realty Inc., PNC Bank, National Association, as administrative agent, U.S. Bank, National Association, as syndication agent, PNC Capital Markets LLC and U.S. Bank National Association, as joint lead arrangers and joint bookrunners, and the other lenders named therein.</u>	8-K	001-36008	10.1	1/20/2016
10.34	<u>Increase Certificate dated April 15, 2016.</u>	8-K	001-36008	10.1	4/15/2016

10.35	<u>Second Amended and Restated Credit Agreement, dated as of February 14, 2017, among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Citibank, N.A. as administrative agent, swing line lender and letter of credit issuer, and the other lenders named therein.</u>	8-K	001-36008	10.1	2/15/2017
10.36	<u>Third Amendment to Credit Agreement, dated February 14, 2017, among Rexford Industrial Realty, L.P., Rexford Industrial Realty Inc., PNC Bank, National Association, as administrative agent, U.S. Bank, National Association, as syndication agent, PNC Capital Markets LLC and U.S. Bank National Association, as joint lead arrangers and joint bookrunners, and the other lenders named therein.</u>	10-K	001-36008	10.33	2/23/2017
10.37	<u>Note Purchase and Guarantee Agreement, dated as of July 13, 2017, by and among Rexford Industrial Realty L.P., Rexford Industrial Realty, Inc. and the purchasers named therein.</u>	8-K	001-36008	10.1	7/19/2017
10.38	<u>Second Amendment to Note Purchase and Guarantee Agreement, dated as of June 16, 2017, among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and the purchasers named therein.</u>	10-Q	001-36008	10.3	8/4/2017
10.39	<u>Fourth Amendment to Credit Agreement, dated as of January 16, 2018, among Rexford Industrial Realty, L.P., Rexford Industrial Realty Inc., PNC Bank, National Association, as administrative agent and a lender, and the other lenders named therein.</u>	8-K	001-36008	10.1	1/22/2018
10.40*	<u>Agreement of Purchase and Sale, dated November 30, 2017, by and between RIF IV Grand, LLC, as Seller, and 6110-6114 Cahuenga Avenue, LLC, as Buyer.</u>				
12.1*	<u>Statement of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</u>				
21.1*	<u>List of Subsidiaries of the Company</u>				
23.1*	<u>Consent of Ernst & Young LLP</u>				
24.1*	<u>Power of Attorney (included on the signature page of this Form 10-K)</u>				
31.1*	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>				
31.2*	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>				
31.3*	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>				
32.1*	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>				
32.2*	<u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>				
32.3*	<u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>				
99.1*	<u>U.S. Federal Income Tax Considerations</u>				
101.1*	The following financial information from Rexford Industrial Realty, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements				

*Filed herein

**Furnished herein

☒ Compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Rexford Industrial Realty, Inc.

February 21, 2018 /s/ Michael S. Frankel
Michael S. Frankel
Co-Chief Executive Officer (Principal Executive Officer)

February 21, 2018 /s/ Howard Schwimmer
Howard Schwimmer
Co-Chief Executive Officer (Principal Executive Officer)

February 21, 2018 /s/ Adeel Khan
Adeel Khan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Rexford Industrial Realty, Inc., hereby severally constitute Michael S. Frankel, Howard Schwimmer and Adeel Khan, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Rexford Industrial Realty, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Signature	Title	Date
/s/ Michael S. Frankel Michael S. Frankel	Co- Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2018
/s/ Howard Schwimmer Howard Schwimmer	Co- Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2018
/s/ Adeel Khan Adeel Khan	Chief Financial Officer (Principal Financial and Accounting Officer)	February 21, 2018
/s/ Richard Ziman Richard Ziman	Chairman of the Board	February 21, 2018
/s/ Robert L. Antin Robert L. Antin	Director	February 21, 2018
/s/ Steven C. Good Steven C. Good	Director	February 21, 2018
/s/ Peter Schwab Peter Schwab	Director	February 21, 2018
/s/ Tyler H. Rose Tyler H. Rose	Director	February 21, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Rexford Industrial Realty, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rexford Industrial Realty, Inc. (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Los Angeles, California

February 21, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Rexford Industrial Realty, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Rexford Industrial Realty, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rexford Industrial Realty, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Rexford Industrial Realty, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017 and the related notes and schedule listed in the Index at Item 15(a), and our report dated February 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Los Angeles, California
February 21, 2018

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands - except share and per share data)

	December 31, 2017	December 31, 2016
ASSETS		
Land	\$ 997,588	\$ 683,919
Buildings and improvements	1,079,746	811,614
Tenant improvements	49,692	38,644
Furniture, fixtures, and equipment	167	174
Construction in progress	34,772	17,778
Total real estate held for investment	2,161,965	1,552,129
Accumulated depreciation	(173,541)	(135,140)
Investments in real estate, net	1,988,424	1,416,989
Cash and cash equivalents	6,620	15,525
Restricted cash	250	—
Notes receivable	—	5,934
Rents and other receivables, net	3,664	2,749
Deferred rent receivable, net	15,826	11,873
Deferred leasing costs, net	12,014	8,672
Deferred loan costs, net	1,930	847
Acquired lease intangible assets, net	49,239	36,365
Acquired indefinite-lived intangible	5,156	5,170
Interest rate swap asset	7,193	5,594
Other assets	6,146	5,290
Acquisition related deposits	2,475	—
Assets associated with real estate held for sale, net	12,436	—
Total Assets	\$ 2,111,373	\$ 1,515,008
LIABILITIES & EQUITY		
Liabilities		
Notes payable	\$ 668,941	\$ 500,184
Interest rate swap liability	219	2,045
Accounts payable, accrued expenses and other liabilities	21,134	13,585
Dividends payable	11,727	9,282
Acquired lease intangible liabilities, net	18,067	9,130
Tenant security deposits	19,521	15,187
Prepaid rents	6,267	3,455
Liabilities associated with real estate held for sale	243	—
Total Liabilities	746,119	552,868
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized,		
5.875% series A cumulative redeemable preferred stock, 3,600,000 shares outstanding as of December 31, 2017 and December 31, 2016 (\$90,000 liquidation preference)	86,651	86,651
5.875% series B cumulative redeemable preferred stock, 3,000,000 and zero shares outstanding as of December 31, 2017 and December 31, 2016, respectively (\$75,000 liquidation preference)	73,062	—
Common Stock, \$0.01 par value per share, 490,000,000 authorized and 78,495,882 and 66,454,375 outstanding as of December 31, 2017 and December 31, 2016, respectively	782	662

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Additional paid in capital	1,239,810	907,834
Cumulative distributions in excess of earnings	(67,058) (59,277)
Accumulated other comprehensive income	6,799	3,445
Total stockholders' equity	1,340,046	939,315
Noncontrolling interests	25,208	22,825
Total Equity	1,365,254	962,140
Total Liabilities and Equity	\$2,111,373	\$1,515,008

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

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REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands - except share and per share data)

	Year Ended December 31,		
	2017	2016	2015
RENTAL REVENUES			
Rental income	\$136,185	\$107,594	\$81,114
Tenant reimbursements	23,363	16,723	10,479
Other income	869	943	1,013
TOTAL RENTAL REVENUES	160,417	125,260	92,606
Management, leasing and development services	493	473	584
Interest income	445	459	710
TOTAL REVENUES	161,355	126,192	93,900
OPERATING EXPENSES			
Property expenses	42,139	33,619	25,000
General and administrative	21,610	17,415	15,016
Depreciation and amortization	64,852	51,407	41,837
TOTAL OPERATING EXPENSES	128,601	102,441	81,853
OTHER EXPENSE			
Acquisition expenses	454	1,855	2,136
Interest expense	20,209	14,848	8,453
TOTAL OTHER EXPENSES	20,663	16,703	10,589
TOTAL EXPENSES	149,264	119,144	92,442
Equity in income from unconsolidated real estate entities	11	1,451	93
Gain from early repayment of note receivable	—	—	581
Gain (loss) on extinguishment of debt	25	—	(182)
Gain on sale of real estate	29,573	17,377	—
NET INCOME	41,700	25,876	1,950
Less: net income attributable to noncontrolling interest	(988)	(750)	(76)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	40,712	25,126	1,874
Less: preferred stock dividends	(5,875)	(1,983)	—
Less: earnings allocated to participating securities	(410)	(302)	(223)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$34,427	\$22,841	\$1,651
Net income attributable to common stockholders per share - basic and diluted	\$0.48	\$0.36	\$0.03
Weighted average shares of common stock outstanding - basic	71,198,862	62,723,021	54,024,923
Weighted average shares of common stock outstanding - diluted	71,598,654	62,965,554	54,024,923

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

REXFORD INDUSTRIAL REALTY, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands)

	Year Ended December 31,		
	2017	2016	2015
Net income	\$41,700	\$25,876	\$1,950
Other comprehensive income (loss): cash flow hedge adjustment	3,425	6,693	(1,742)
Comprehensive income	45,125	32,569	208
Less: comprehensive income attributable to noncontrolling interests	(1,059)	(965)	(36)
Comprehensive income attributable to common stockholders	\$44,066	\$31,604	\$172

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

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REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(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, 2014	\$ —	43,702,442	\$ 434	\$ 542,318	\$ (21,673)	\$ (1,331)	\$ 519,748	\$ 26,129	\$ 545,877
Issuance of common stock	—	11,500,500	115	183,892	—	—	184,007	—	184,007
Offering costs	—	—	—	(8,174)	—	—	(8,174)	—	(8,174)
Share-based compensation	—	120,178	1	1,764	—	—	1,765	87	1,852
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(12,670)	—	(191)	—	—	(191)	—	(191)
Conversion of units to common stock	—	288,234	3	3,159	—	—	3,162	(3,162)	—
Repurchase of operating partnership units	—	—	—	(46)	—	—	(46)	(90)	(136)
Net income	—	—	—	—	1,874	—	1,874	76	1,950
Other comprehensive loss	—	—	—	—	—	(1,702)	(1,702)	(40)	(1,742)
Common stock dividends	—	—	—	—	(28,304)	—	(28,304)	—	(28,304)
Distributions	—	—	—	—	—	—	—	(1,395)	(1,395)
Balance at December 31, 2015	—	55,598,684	553	722,722	(48,103)	(3,033)	672,139	21,605	693,744
Issuance of preferred stock	90,000	—	—	—	—	—	90,000	—	90,000
Issuance of common stock	—	10,752,683	108	191,882	—	—	191,990	—	191,990
Offering costs	(3,349)	—	—	(8,662)	—	—	(12,011)	—	(12,011)
Share-based compensation	—	79,736	1	2,009	—	—	2,010	1,972	3,982
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(36,374)	—	(747)	—	—	(747)	—	(747)
Conversion of units to common stock	—	59,646	—	630	—	—	630	(630)	—

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Acquisition of real estate portfolio	—	—	—	—	—	—	125	125	
Net income	1,983	—	—	23,143	—	25,126	750	25,876	
Other comprehensive income	—	—	—	—	6,478	6,478	215	6,693	
Preferred stock dividends	(1,983)	—	—	—	—	(1,983)	—	(1,983)	
Common stock dividends	—	—	—	(34,317)	—	(34,317)	—	(34,317)	
Distributions	—	—	—	—	—	—	(1,212)	(1,212)	
Balance at December 31, 2016	86,656	66,454,375	\$ 662	\$ 907,834	\$(59,277)	\$ 3,445	\$ 939,315	\$ 22,825	\$ 962,140

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	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distribution in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Issuance of preferred stock	75,000	—	—	—	—	—	75,000	—	75,000
Issuance of common stock	—	11,968,927	119	336,515	—	—	336,634	—	336,634
Offering costs	(2,525)	—	—	(5,734)	—	—	(8,259)	—	(8,259)
Share-based compensation	—	68,768	1	2,145	—	—	2,146	3,414	5,560
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(57,444)	—	(1,568)	—	—	(1,568)	—	(1,568)
Conversion of units to common stock	—	61,256	—	618	—	—	618	(618)	—
Redemption of preferred stock in connection with liquidation of private REIT	—	—	—	—	—	—	—	(125)	(125)
Net income	5,875	—	—	—	34,837	—	40,712	988	41,700
Other comprehensive income	—	—	—	—	—	3,354	3,354	71	3,425
Preferred stock dividends	(5,288)	—	—	—	—	—	(5,288)	—	(5,288)
Common stock dividends	—	—	—	—	(42,618)	—	(42,618)	—	(42,618)
Distributions	—	—	—	—	—	—	—	(1,347)	(1,347)
Balance at December 31, 2017	\$159,713	78,495,882	\$782	\$1,239,810	\$(67,058)	\$6,799	\$1,340,046	\$25,208	\$1,365,254

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$41,700	\$25,876	\$1,950
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income from unconsolidated real estate entities	(11)	(1,451)	(93)
Provision for doubtful accounts	1,061	1,287	1,448
Depreciation and amortization	64,852	51,407	41,837
Amortization of (below) above market lease intangibles, net	(2,270)	(78)	202
Amortization of loan origination fees	(150)	(150)	—
Accretion of discount on notes receivable	—	—	(178)
Deferred interest income on notes receivable	84	(84)	—
Gain from early repayment of notes receivable	—	—	(581)
(Gain) loss on extinguishment of debt	(25)	—	182
Gain on sale of real estate	(29,573)	(17,377)	—
Amortization of loan costs	1,147	1,014	812
Accretion of premium on notes payable	(169)	(238)	(191)
Equity based compensation expense	5,398	3,835	1,752
Straight-line rent	(4,737)	(4,507)	(3,425)
Change in working capital components:			
Rents and other receivables	(2,007)	(988)	(2,676)
Deferred leasing costs	(5,693)	(5,596)	(3,421)
Other assets	(1,491)	71	(1,286)
Accounts payable, accrued expenses and other liabilities	4,203	1,667	1,806
Tenant security deposits	2,580	2,155	1,608
Prepaid rents	1,751	(411)	762
Net cash provided by operating activities	76,650	56,432	40,508
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of investments in real estate	(664,361)	(367,621)	(230,599)
Capital expenditures	(42,313)	(31,928)	(22,181)
Acquisition related deposits	(2,475)	—	2,110
Distributions from unconsolidated real estate entities	11	5,530	—
Issuance of notes receivable	—	(5,700)	—
Principal repayments of notes receivable	6,000	—	13,896
Disposition related deposits	250	—	—
Proceeds from sale of real estate	95,988	38,505	—
Net cash used in investing activities	(606,900)	(361,214)	(236,774)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of preferred stock, net	72,475	86,651	—
Issuance of common stock, net	330,900	183,386	175,833
Proceeds from notes payable	612,000	263,000	272,000
Repayment of notes payable	(442,818)	(179,223)	(226,710)
Debt issuance costs	(2,268)	(1,925)	(796)
Debt extinguishment costs	(193)	—	(2)
Redemption of preferred stock in connection with liquidation of private REIT	(125)	—	—

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Dividends paid to preferred stockholders	(5,288)	(1,983)	—
Dividends paid to common stockholders	(40,207)	(32,852)	(26,042)
Distributions paid to common unitholders	(1,313)	(1,201)	(1,095)
Repurchase of common shares to satisfy employee tax withholding requirements	(1,568)	(747)	(191)
Repurchase of operating partnership units	—	—	(136)
Net cash provided by financing activities	521,595	315,106	192,861
(Decrease) increase in cash and cash equivalents	(8,655)	10,324	(3,405)
Cash, cash equivalents and restricted cash, beginning of period	15,525	5,201	8,606
Cash, cash equivalents and restricted cash, end of period	\$6,870	\$15,525	\$5,201
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest (net of capitalized interest of \$1,694, \$1,653 and \$754 for 2017, 2016 and 2015, respectively)	\$18,423	\$13,943	\$6,147
Supplemental disclosure of noncash investing and financing transactions:			
Assumption of loan in connection with acquisition of real estate including loan premium	\$—	\$—	\$17,097
Capital expenditure accruals	\$2,216	\$1,284	\$610
Accrual of dividends	\$11,727	\$9,282	\$7,806

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

REXFORD INDUSTRIAL REALTY, INC.
NOTES TO 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 located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. As of December 31, 2017, our consolidated portfolio consisted of 151 properties with approximately 18.5 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying financial statements 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 December 31, 2017 and 2016, 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 consolidated financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) as established by the Financial Accounting Standards Board (“FASB”) in the Accounting Standards Codification including modifications issued under Accounting Standards Updates (“ASUs”). Any reference to the number of properties, buildings and square footage are unaudited and outside the scope of our independent auditor’s audit of our financial statements in accordance with the standards of the 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 generally comprised of cash proceeds related to property dispositions 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 December 31, 2017, we were under contract to sell our property located at 700 Allen. In connection with execution of the contract, the buyer made a non-refundable deposit of \$250,000, that was placed into an account held at a qualified intermediary to facilitate a future 1031 Exchange transaction. As of December 31, 2017, this deposit is included in restricted cash on our consolidated balance sheets.

Notes Receivable

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

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

Investment in Real Estate

Acquisitions

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

Effective January 1, 2017, we early adopted ASU 2017-01. We evaluated the acquisitions that we completed during the year ended December 31, 2017 and determined that under the new framework these transactions should be accounted for as asset acquisitions. See Note 3.

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

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

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

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

should be finalized in the period in which the acquisition occurred.

We determine the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. This “as-if vacant” value is estimated using an income, or discounted cash flow, approach that relies upon Level 3 inputs, which are unobservable inputs based on the Company’s assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar

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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 calculating the “as-if-vacant” value for acquisitions completed during the year ended December 31, 2017, we used discount rates ranging from 5.50% and 9.50% and capitalization rates ranging from 4.25% to 7.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. In determining the fair value of acquisitions completed during the year ended December 31, 2017, we used an estimated average lease-up period ranging from six to 18 months.

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

Capitalization of Costs

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

We capitalized interest costs of \$1.7 million, \$1.7 million and \$0.8 million during the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized real estate taxes and insurance aggregating \$1.2 million, \$0.8 million and \$0.8 million during the years ended December 31, 2017, 2016 and 2015, respectively. We capitalized compensation costs for employees who provide construction services of \$1.9 million, \$1.0 million and \$0.9 million during the years ended December 31, 2017, 2016 and 2015, 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 revenues” over the remaining term of the related leases.

Our estimate of the useful life of our assets is evaluated upon acquisition and when circumstances indicate a change in the useful life, 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 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

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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 its carrying amount or its estimated fair value less cost to sell. See Note 12.

Deferred Leasing Costs

We capitalize costs directly related to the successful origination of a lease. These costs include leasing commissions paid to third parties for new leases or lease renewals, as well as an allocation of compensation costs, including payroll, bonus and non-cash equity compensation, of employees who spend time on lease origination activities. In determining the amount of compensation costs to be capitalized for these employees, allocations are made based on estimates of the actual amount of time spent working on successful leases in comparison to time spent on unsuccessful origination efforts. We capitalized compensation costs for these employees of \$1.0 million, \$0.6 million and \$0.5 million during the years ended December 31, 2017, 2016 and 2015, respectively.

Impairment of Long-Lived Assets

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

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

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

Investment in Unconsolidated Real Estate Entities

Investments in unconsolidated real estate entities in which we have the ability to exercise significant influence (but not control) are accounted for under the equity method of investment. Under the equity method, we initially record our investment at cost, and subsequently adjust for equity in earnings or losses and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in income (loss) from unconsolidated real estate over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the consolidated balance sheets, and our share of net income or loss from the joint ventures is included within the consolidated statements of operations. Furthermore, distributions received from equity method investments are classified as either operating cash inflows or investing cash inflows in the consolidated statements of cash flows using the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment. See Note 11.

Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our initial taxable year ended December 31, 2013. To qualify as a REIT, we are required (among other things) to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to qualify as a REIT in any taxable year, and were unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

In addition, we are subject to taxation by various state and local jurisdictions, including those in which we transact business or reside. Our non-taxable REIT subsidiaries, including our Operating Partnership, are either partnerships or disregarded entities for federal income tax purposes. Under applicable federal and state income tax rules, the allocated share of net income or loss from disregarded entities 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 years ended December 31, 2017, 2016 and 2015.

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 December 31, 2017 and 2016, 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

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

Estimated reimbursements from tenants for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenues in the period that the expenses are incurred. Subsequent to year-end,

we perform final reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. Lease termination fees, which are included in rental revenues in the accompanying consolidated statements of operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to such former tenant.

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

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The recognition of gains on sales of real estate requires us to measure the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances. See Note 12 for discussion of dispositions.

Valuation of Receivables

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

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

	December 31,	
	2017	2016
Rents and other receivables	\$5,369	\$5,565
Allowance for doubtful accounts	(1,705)	(2,816)
Rents and other receivables, net	\$3,664	\$2,749
Deferred rent receivable	\$15,912	\$11,903
Allowance for doubtful accounts	(86)	(30)
Deferred rent receivable, net	\$15,826	\$11,873

We recorded the following provision for doubtful accounts, including amounts related to deferred rents, as a reduction to rental revenues in our consolidated statements of operations for the years ended December 31, 2017, 2016 and 2015, (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Provision for doubtful accounts	\$1,118	\$1,233	\$1,462

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 or performance

condition, we recognize compensation cost on a straight-line basis over the requisite service period of each separately vesting tranche. Forfeitures are recognized in the period in which they occur. See Note 14.

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 computing basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings.

Basic EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average 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 15.

Segment Reporting

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

Recently Issued Accounting Pronouncements

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

Stock Compensation

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

Leases

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

ASC 842 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASC 842 also requires lessees to classify leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification is used to evaluate whether the lease expense should be recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC 842 will impact the accounting and disclosure requirements for our ground lease and other operating leases, where we are the lessee. See Note 10 for a summary of rent expense and remaining contractual payments under our ground lease and corporate offices leases.

ASC 842 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. ASC 842 specifies that payments for certain lease-related services (for example, maintenance services, including common area maintenance), which are often included in lease agreements, represent "non-lease" components that will become subject to the guidance in ASC 2014-09, Revenue from Contracts with Customers, when ASC 842 becomes effective. In January 2018, the FASB proposed adding an optional practical expedient that would allow lessors to elect to not separate lease and non-lease components if both of the following criteria are met: (1) the timing and pattern of recognition are the same for the non-lease component(s) and the related lease component, and (2) the combined single lease component would be classified as an operating lease.

Additionally, ASC 842 requires lessors to capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. As a result, compensation costs related to employees who spend time on lease origination activities, regardless of whether their time leads to a successful lease, will no longer be capitalized as initial direct costs and instead will be expensed as incurred. See "Deferred Leasing Costs" above for a summary of employee related compensation costs capitalized during the years ended December 31, 2017, 2016 and 2015.

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

Revenue Recognition

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASC 606"). ASC 606 establishes principles for reporting the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB subsequently issued additional ASUs which provide practical expedients, technical corrections and clarification of the new standard. ASC 606 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017. Early application is permitted for annual periods beginning after December 15, 2016. ASC 606 permits the use of either the full retrospective transition method or a modified retrospective transition method. We will adopt ASC 606 on January 1, 2018, using the modified retrospective method.

As part of our assessment and implementation of ASC 606, we evaluated each of our revenue streams to determine the sources of revenue that are impacted by ASC 606 and concluded that management services and leasing services are under the scope of ASC 606. We evaluated the impact of ASC 606 on the timing and pattern of revenue recognition for our management and leasing services contracts and determined there was no change in the timing or pattern of revenue recognition for these contracts as compared to current accounting practice. Accordingly, we do not expect the adoption of ASC 606 to have a material impact on our consolidated financial statements.

Derivatives

On August 28, 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"). ASU 2017-12 simplifies hedge accounting by eliminating the requirement to separately measure and report hedge ineffectiveness. For cash flow hedges, ASU 2017-12 requires all changes in the fair value of the hedging instrument to be deferred in other comprehensive income and recognized in earnings at the same time that the hedged item affects earnings. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

Adoption of New Accounting Pronouncements

On November 17, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash (“ASU 2016-18”), which requires an entity’s reconciliation of the beginning of period and end of period amounts shown in the statement of cash flows to include with cash and cash equivalents, amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We early adopted ASU 2016-18, effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, we have included restricted cash with cash and cash equivalents in our reconciliation of beginning of period and end of period amounts shown in our consolidated statements of cash flows for all periods presented. As a result of the adoption of ASU 2016-18, changes in restricted cash are no longer presented as a separate line item within cash flows from investing activities in our consolidated statements of cash flows since we have included restricted cash with cash and cash equivalents in our reconciliation of beginning and end of period amounts shown in our consolidated statements of cash flows. The adoption of ASU 2016-18 did not affect our statement of cash flows presentation for the years ended December 31, 2016 and 2015, as we did not have any restricted cash.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows, as of December 31, 2017 (in thousands):

	December 31, 2017
Cash and cash equivalents	\$ 6,620
Restricted cash	250
Cash, cash equivalents and restricted cash, end of period.	\$ 6,870

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which addresses certain classification issues related to the statement of cash flows, including: (i) debt prepayment or debt extinguishment costs, (ii) contingent consideration payments made after a business combination and (iii) distributions received from equity method investees. ASU 2016-15 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We early adopted ASU 2016-15, effective July 1, 2016, and elected, as part of the adoption, to classify distributions received from equity method investees under the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment and classified as either operating cash inflows or investing cash inflows. The adoption of ASU 2016-15 did not affect have a material impact on our consolidated statements of cash flows.

3. Investments in Real Estate

REIT Portfolio Acquisition

On April 11, 2016, we entered into a stock purchase agreement (the “Stock Purchase Agreement”) to acquire a private real estate investment trust (the “private REIT”) that owns a portfolio of nine industrial properties totaling approximately 1.5 million rentable square feet (the “REIT Portfolio”) from a third-party seller in exchange for approximately \$191.0 million in cash, exclusive of closing costs and credits (the “REIT Portfolio Acquisition”).

On April 15, 2016, pursuant to the Stock Purchase Agreement, we consummated the transaction. As part of the REIT Portfolio Acquisition, we acquired 100% of the private REIT’s common stock and 575 of 700 issued and outstanding shares of the private REIT’S 12.5% cumulative non-voting preferred stock (the “preferred stock”). The remaining 125 shares of preferred stock, which were held by unaffiliated third parties, were not immediately redeemed by us and remained outstanding in order to help us comply with federal income tax regulations applicable to REITs.

On June 22, 2017, we adopted a plan of liquidation and dissolution of the private REIT, and on December 31, 2017, we completed the liquidation of the private REIT, by distributing all assets to the Operating Partnership. As part of the liquidation process, we paid a liquidating distribution of \$1,000 per share, or an aggregate liquidating distribution of

\$125,000, as payment in full for the redemption of the remaining 125 share of preferred stock not held by us.

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Acquisition Summary

The following table sets forth the wholly-owned industrial properties we acquired during the year ended December 31, 2017:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price ⁽¹⁾ (in thousands)
28901-28903 Avenue Paine ⁽²⁾	Los Angeles - San Fernando Valley	2/17/2017	111,346	1	\$ 17,060
2390 Ward Avenue ⁽³⁾	Ventura	4/28/2017	138,700	1	16,499
Safari Business Center ⁽⁴⁾	Inland Empire - West	5/24/2017	1,138,090	16	141,200
4175 Conant Street ⁽⁵⁾	Los Angeles - South Bay	6/14/2017	142,593	1	30,600
5421 Argosy Avenue ⁽⁵⁾	Orange County - West	6/15/2017	35,321	1	5,300
14820-14830 Carmenita Road ⁽²⁾	Los Angeles - Mid-counties	6/30/2017	198,062	3	30,650
3002-3072 Inland Empire Blvd ⁽²⁾	Inland Empire - West	7/3/2017	218,407	4	26,900
17000 Kingsview Avenue ⁽²⁾	Los Angeles - South Bay	7/11/2017	100,121	1	13,986
Rancho Pacifica Park ⁽⁶⁾	Los Angeles - South Bay	7/18/2017	1,170,806	6	210,500
11190 White Birch Drive ⁽²⁾	Inland Empire - West	7/20/2017	201,035	1	19,810
4832-4850 Azusa Canyon Road ⁽²⁾	Los Angeles - San Gabriel Valley	7/28/2017	87,421	1	14,550
1825 Soto Street ⁽⁵⁾	Los Angeles - Central	9/8/2017	25,040	2	3,475
19402 Susana Road ⁽⁵⁾	Los Angeles - South Bay	9/13/2017	15,433	1	3,942
13225 Western Avenue ⁽⁵⁾	Los Angeles - South Bay	10/31/2017	21,010	1	2,255
15401 Figueroa Street ⁽⁵⁾	Los Angeles - South Bay	10/31/2017	38,584	1	4,435
8542 Slauson Avenue ⁽⁵⁾	Los Angeles - Central	11/28/2017	24,679	1	9,015
687 Eucalyptus Avenue ⁽⁷⁾	Los Angeles - South Bay	11/28/2017	143,436	1	53,875
302 Rockefeller Avenue ⁽²⁾	Inland Empire - West	12/28/2017	99,282	1	14,520
4355 Brickell Street ⁽²⁾	Inland Empire - West	12/28/2017	95,644	1	13,110
12622-12632 Monarch Street ⁽⁸⁾	Orange County - West	12/28/2017	121,225	2	20,545
8315 Hanan Way ⁽²⁾	Los Angeles - Central	12/28/2017	100,692	1	14,500
Total 2017 Wholly-Owned Property Acquisitions			4,226,927	48	\$ 666,727

(1) Represents the gross contractual purchase price before prorations and closing costs. Does not include capitalized acquisition costs totaling \$2.0 million.

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

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

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

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

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- (7) This acquisition was partially funded through a 1031 Exchange using \$29.3 million of net cash proceeds from the sale of our properties located at 12345 First American Way and 9401 De Soto Avenue and available cash on hand.
- (8) This acquisition was partially funded through a 1031 Exchange using \$2.2 million of net cash proceeds from the sale of our property located at 77-700 Enfield Lane and available cash on hand.

The following table sets forth the wholly-owned industrial properties we acquired during the year ended December 31, 2016:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price (in thousands)
8525 Camino Santa Fe ⁽¹⁾	San Diego - Central	3/15/2016	59,399	1	\$ 8,450
28454 Livingston Avenue ⁽¹⁾	Los Angeles - San Fernando Valley	3/29/2016	134,287	1	16,000
REIT Portfolio ⁽²⁾	Various ⁽²⁾	4/15/2016	1,530,814	9	191,000
10750-10826 Lower Azusa Road ⁽³⁾	Los Angeles - San Gabriel Valley	5/3/2016	79,050	4	7,660
525 Park Avenue ⁽⁴⁾	Los Angeles - San Fernando Valley	6/30/2016	63,403	1	7,550
3233 Mission Oaks Boulevard ⁽⁵⁾	Ventura	7/6/2016	457,693	1	25,700
1600 E. Orangethorpe Avenue ⁽⁴⁾	Orange County - North	8/24/2016	345,756	6	40,137
14742-14750 Nelson Avenue ⁽⁴⁾	Los Angeles - San Gabriel Valley	9/8/2016	145,531	2	15,000
3927 Oceanic Drive ⁽⁴⁾	San Diego - North County	10/21/2016	54,740	1	7,200
301-445 Figueroa Street ⁽⁴⁾	Los Angeles - South Bay	11/4/2016	133,925	1	13,000
12320 4th Street ⁽⁶⁾	Inland Empire - West	12/7/2016	284,676	2	24,435
9190 Activity Road ⁽⁴⁾	San Diego - Central	12/16/2016	83,520	1	15,550
			3,372,794	30	\$ 371,682

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

The REIT Portfolio Acquisition was funded with available cash on hand, proceeds from a \$100.0 million term loan borrowing and proceeds from an equity offering of 10.35 million shares of our common stock. See Notes 5 and 13 for additional information. The REIT Portfolio consists of nine properties located in four of our core submarkets, including Orange County, Los Angeles - San Gabriel Valley, Inland Empire West and Central San Diego.

- (2) This acquisition was partially funded through a 1031 Exchange using \$2.5 million of net cash proceeds from the sale of our property located at 6010 North Paramount Boulevard and available cash on hand.

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

We acquired this property from our unconsolidated joint venture (see Note 11). Prior to the acquisition, our ownership interest in the property was 15.0%. This acquisition was partially funded through a 1031 Exchange using 18.0 million of net cash proceeds from the sale of our properties located at 1840 Dana Street and 12910 East Mulberry Drive and available cash on hand.

- (4) This acquisition was partially funded through a 1031 Exchange using \$18.1 million of net cash proceeds from the sale of our properties located at 22343-22349 La Palma Avenue and 157th Street and available cash on hand.

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

	2017			2016		
	Rancho Pacifica Park	Other Acquisitions	Total Acquisitions	REIT Portfolio Acquisition	Other Acquisitions	Total Acquisitions
Assets:						
Land ⁽¹⁾	\$ 121,329	\$ 233,207	\$ 354,536	\$ 101,530	\$ 102,296	\$ 203,826
Buildings and improvements	85,336	202,137	287,473	74,586	72,588	147,174
Tenant improvements	1,440	5,570	7,010	2,875	2,461	5,336
Acquired lease intangible assets ⁽²⁾⁽³⁾	8,852	22,414	31,266	12,103	9,180	21,283
Other acquired assets ⁽⁴⁾	5	223	228	222	305	527
Total assets acquired	\$ 216,962	\$ 463,551	\$ 680,513	\$ 191,316	\$ 186,830	\$ 378,146
Liabilities:						
Acquired lease intangible liabilities ⁽⁵⁾	6,264	6,338	12,602	934	6,583	7,517
Other assumed liabilities ⁽⁴⁾	1,126	2,424	3,550	1,519	1,364	2,883
Total liabilities assumed	\$ 7,390	\$ 8,762	\$ 16,152	\$ 2,453	\$ 7,947	\$ 10,400
Net assets acquired	\$ 209,572	\$ 454,789	\$ 664,361	\$ 188,863	\$ 178,883	\$ 367,746

- (1) The allocation to land in 2016 includes \$0.2 million of capitalized acquisition costs related to the purchase of 14742-14750 Nelson Avenue and 3927 Oceanic Drive, which were accounted for as asset acquisitions.
- For Rancho Pacifica Park, acquired lease intangible assets is comprised of in-place lease intangibles with weighted average amortization period of 3.2 years. For the other 2017 acquisitions, acquired lease intangible assets is comprised of \$21.0 million of in-place lease intangibles with a weighted average amortization period of 5.6 years and \$1.4 million of above-market lease intangibles with a weighted average amortization period of 10.6 years.
- (2) For the REIT Portfolio, acquired lease intangible assets is comprised of \$11.1 million of in-place lease intangibles with a weighted average amortization period of 5.0 years and \$1.0 million of above-market lease intangibles with a weighted average amortization period of 7.6 years. For the other 2016 acquisitions, acquired lease intangible assets is comprised of \$8.9 million of in-place lease intangibles with a weighted average amortization period of 5.5 years and \$0.3 million of above-market lease intangibles with a weighted average amortization period of 2.4 years.
- (3) Includes other working capital assets acquired and liabilities assumed at the time of acquisition.
- Represents below-market lease intangibles with a weighted average amortization period of 3.5 years, 3.4 years, 4.8 years and 10.3 years for the Rancho Pacifica Park, other 2017 acquisitions, the REIT Portfolio and other 2016 acquisitions, respectively.
- (5) years and 10.3 years for the Rancho Pacifica Park, other 2017 acquisitions, the REIT Portfolio and other 2016 acquisitions, respectively.

The following table sets forth the results of operations for the year ended December 31, 2017, for the properties acquired during the year ended December 31, 2017, included in the consolidated statements of operations from the date of acquisition (in thousands):

	Year Ended December 31, 2017
Revenues	\$ 19,177
Net Income	\$ 2,158

The following table sets forth unaudited pro-forma financial information (in thousands) as if the closing of our acquisitions during the year ended December 31, 2017, had occurred on January 1, 2016. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as (i) increased rental revenues for the amortization of the net amount of above- and -below-market rents acquired in the acquisitions, (ii) increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions and (iii) increased interest expense for borrowings associated with these acquisitions. These pro-forma results have not been adjusted for property sales completed during the year ended December 31, 2017. These unaudited pro-forma results do not purport to be indicative of what operating results would have been had the acquisitions actually occurred on January 1, 2016, and may not be indicative of future operating results.

	Year Ended	
	December 31,	
	2017	2016
Revenues	\$180,232	\$160,556
Net income	\$33,057	\$16,125
Net income attributable to common stockholders per share - basic	\$0.46	\$0.26
Net income attributable to common stockholders per share - diluted	\$0.46	\$0.26

4. Acquired Lease Intangibles

The following table summarizes our acquisition-related intangible assets, including the value of in-place leases and above-market tenant leases, and our acquisition-related intangible liabilities, including below-market tenant leases and above-market ground leases as follows (in thousands):

	December 31,	
	2017	2016
Acquired Lease Intangible Assets:		
In-place lease intangibles	\$95,750	\$68,234
Accumulated amortization	(51,735)	(37,648)
In-place lease intangibles, net	\$44,015	\$30,586
Above-market tenant leases	\$10,718	\$10,191
Accumulated amortization	(5,494)	(4,412)
Above-market tenant leases, net	\$5,224	\$5,779
Acquired lease intangible assets, net	\$49,239	\$36,365
Acquired Lease Intangible Liabilities:		
Below-market tenant leases	\$(24,843)	\$(12,426)
Accumulated accretion	6,925	3,477
Below-market tenant leases, net	\$(17,918)	\$(8,949)
Below-market ground lease	\$(290)	\$(290)
Accumulated accretion	141	109
Below-market ground lease, net	\$(149)	\$(181)
Acquired lease intangible liabilities, net	\$(18,067)	\$(9,130)

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

	Year Ended December 31,		
	2017	2016	2015
In-place lease intangibles ⁽¹⁾	\$15,598	\$13,560	\$12,445
Net above (below) market tenant leases ⁽²⁾	\$(2,238)	\$(46)	\$234
Above-market ground lease ⁽³⁾	\$(32)	\$(32)	\$(32)

(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 above (below) market tenant leases is recorded as a decrease (increase) to rental revenues in the consolidated statements of operations for the periods presented.

(3) The accretion of the above-market ground lease is recorded as a decrease to property expenses in the consolidated statements of operations for the periods presented.

The following table summarizes the estimated amortization/(accretion) of our acquisition-related intangibles as of December 31, 2017, for the next five years (in thousands):

Year Ending	In-place Leases ⁽¹⁾	Net	
		Above/(Below) Market Operating Leases ⁽²⁾	Above Market Ground Lease ⁽³⁾
2018	\$ 8,638	\$ (2,088)	\$ (25)
2019	7,358	(2,034)	(25)
2020	6,599	(1,841)	(25)
2021	5,702	(1,766)	(25)
2022	4,260	(1,575)	(25)
Thereafter	11,458	(3,390)	(24)
Total	\$ 44,015	\$ (12,694)	\$ (149)

(1) Estimated amounts of amortization will be recorded to depreciation and amortization expense in the consolidated statements of operation.

(2) Estimated amounts of amortization will be recorded as a net increase to rental revenues in the consolidated statements of operations.

(3) Estimated amounts of accretion will be recorded as a decrease to property expenses in the consolidated statements of operations.

5. Notes Payable

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

	December 31, 2017	December 31, 2016
Principal amount	\$671,658	\$ 502,476
Less: unamortized discount and debt issuance costs ⁽¹⁾	(2,717)	(2,292)
Carrying value	\$668,941	\$ 500,184

(1) Unamortized discount and debt issuance costs exclude net debt issuance costs related to establishing our unsecured credit facility. These costs are presented in the line item "Deferred loan costs, net" in the consolidated balance sheets.

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

	December 31, 2017		December 31, 2016		Contractual Maturity Date	Stated Interest Rate ⁽¹⁾	Effective Interest Rate ⁽²⁾
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Principal Amount	Unamortized Discount and Debt Issuance Costs			
Secured Debt							
\$60M Term Loan ⁽³⁾	\$58,891	\$ (125)	\$59,674	\$ (204)	8/1/2019	⁽⁴⁾ LIBOR+1.90%	3.95 %
Gilbert/La Palma ⁽⁵⁾	2,767	(138)	2,909	(145)	3/1/2031	5.125 %	5.42 %
12907 Imperial Highway	—	—	5,182	180	4/1/2018	N/A	N/A
1065 Walnut Street	—	—	9,711	192	2/1/2019	N/A	N/A
Unsecured Debt							
\$100M Term Loan Facility	100,000	(343)	100,000	—	2/14/2022	LIBOR+1.20% ⁽⁶⁾	3.18 % ⁽⁷⁾
Revolving Credit Facility	60,000	—	—	—	2/12/2021	⁽⁸⁾ LIBOR+1.10% ⁽⁶⁾⁽⁹⁾	2.66 %
\$225M Term Loan Facility	225,000	(1,398)	225,000	(1,680)	1/14/2023	LIBOR+1.50% ⁽⁶⁾	3.19 %
\$100M Notes	100,000	(576)	100,000	(635)	8/6/2025	4.290 %	4.37 %
\$125M Notes	125,000	(137)	—	—	7/13/2027	3.930 %	3.94 %
Total	\$671,658	\$ (2,717)	\$502,476	\$ (2,292)			

(1) Reflects the contractual interest rate under the terms of the loan as of December 31, 2017.

(2) Reflects the effective interest rate at December 31, 2017, which includes the effect of the amortization of discounts and debt issuance costs and the effect of interest rate swaps that are effective as of December 31, 2017.

(3) This term loan is secured by six properties. Beginning August 15, 2016, monthly payments of interest and principal are based on a 30 years amortization table. As of December 31, 2017, the interest rate on this variable-rate term loan has been effectively fixed through the use of two interest rate swaps, one of which is an amortizing swap. See Note 7 for details.

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

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

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

(7) As of December 31, 2017, interest on the \$100 million term loan has been effectively fixed through the use of two interest rate swaps. See Note 7 for details.

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

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

Contractual Debt Maturities

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts/premiums and debt issuance costs, as of December 31, 2017, and does not consider extension options available to us as noted in the table above (in thousands):

2018	\$933
2019	58,266
2020	166
2021	60,175
2022	100,184
Thereafter	451,934
Total	\$671,658

Loan Repayments

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

On December 29, 2017, we repaid the \$5.1 million outstanding balance on the 12907 Imperial Highway mortgage loan. We did not incur any prepayment penalties for repaying in advance of the maturity date of April 1, 2018.

Amended Credit Agreement

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

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

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

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

applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

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

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

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

On December 31, 2017, we had \$60.0 million outstanding under the Amended Revolver, leaving \$290.0 million available for additional borrowings.

Note Purchase and Guarantee Agreement

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

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

\$225 Million Term Loan Facility

On January 14, 2016, we entered into a credit agreement for a senior unsecured term loan facility (the "\$225 Million Term Loan Facility") that initially permits aggregate borrowings of up to \$125.0 million, the total of which we borrowed the same day at closing. Under the terms of the credit agreement, we are permitted to add one or more incremental term loans in an aggregate amount not to exceed \$100.0 million (the "Accordion"), subject to the satisfaction of specified conditions. On April 15, 2016, we exercised the Accordion in full, thereby increasing the aggregate amount outstanding under the \$225 Million Term Loan Facility to \$225.0 million. The maturity date of the \$225 Million Term Loan Facility is January 14, 2023.

Interest on the \$225 Million Term Loan Facility accrues based upon, at our option, either (i) LIBOR plus the applicable Eurodollar rate margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the \$225 Million Term Loan Facility to be based on such rating. In that event, the applicable Eurodollar rate margin will range from 1.50% to 2.25% per annum, and the applicable base rate margin will range from 0.50% to 1.25% per annum, depending on our Leverage Ratio (as defined in the credit agreement).

We have the option to voluntarily prepay any amounts borrowed under the \$225 Million Term Loan Facility in whole or in part at any time, subject to certain notice requirements. To the extent that we prepay all or any portion of a loan on or prior to January 14, 2018, we will pay a prepayment premium equal to (i) if such prepayment occurs prior to January 14, 2017, 2.00% of the principal amount so prepaid and (ii) if such prepayment occurs on or after January 14, 2017, but prior to January 14, 2018, 1.00% of the principal amount so prepaid. Amounts borrowed under the \$225 Million Term Loan Facility and repaid or prepaid may not be reborrowed.

The \$225 Million Term Loan Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the credit 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 \$225 Million Term Loan Facility, all outstanding principal amounts, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

Debt Covenants

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

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

• For the Amended Credit Agreement and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;

• For the \$100 Million Notes and the \$125 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;

• Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;

• Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;

• Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.5 to 1.0;

• Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%;

• Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.00.

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

Subject to the terms of the \$100 Million Notes and the \$125 Million Notes (together the “Notes”), upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers. In addition, we are required to maintain at all times a credit rating on the Notes from either S&P, Moody’s or Fitch. At issuance, each of the Notes were assigned an investment grade rating of BBB- by Fitch, which most recently affirmed in September 2017, with a stable outlook.

Our \$60.0 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) \$5,000,000, or (ii) \$8,000,000 if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2,000,000 must be cash or cash equivalents, to be tested annually as of December 31 of each year;

• Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75,000,000, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly and annual debt covenants as of December 31, 2017.

6. Operating Leases

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

Future minimum base rent under operating leases as of December 31, 2017 is summarized as follows (in thousands):

For the year ending December 31:

2018	\$144,053
2019	126,373
2020	101,504
2021	69,662
2022	45,611
Thereafter	143,415
Total	\$630,618

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

7. Interest Rate Swaps

Risk Management Objective of Using Derivatives

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

Derivative Instruments

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

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

On August 11, 2017, we entered into an interest rate swap transaction to manage our exposure to fluctuations in variable interest rate associated with the Amended \$100 Million Term Loan. The interest rate swap has a notional value of \$100.0 million with an effective date of December 14, 2018, and a maturity date of August 14, 2021 (the "New Swap"). The effective date coincides with the termination date of our two in-place interest rate swaps, each of which has a notional value of \$50 million, that currently fix the annual interest rate payable on the Amended \$100 Million Term Loan at 1.8975% plus an applicable margin under the terms of the Amended Credit Agreement. Under the terms of the New Swap, we are required to make certain monthly fixed rate payments calculated on a notional value of \$100 million, while the counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional value. Upon termination of the two in-place swaps, the New Swap will effectively fix the annual interest rate payable on the Amended \$100 Million Term Loan at 1.764% plus an applicable margin under the terms of the Amended Credit Agreement.

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

Derivative Instrument	Effective Date	Maturity Date	Interest Strike Rate	Fair Value		Current Notional Amount ⁽¹⁾	
				December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Assets ⁽²⁾ :							
Interest Rate Swap	2/14/2018	1/14/2022	1.349%	\$3,582	\$ 3,245	\$—	\$ —
Interest Rate Swap	8/14/2018	1/14/2022	1.406%	\$2,521	\$ 2,349	\$—	\$ —
Interest Rate Swap	12/14/2018	8/14/2021	1.764%	\$1,090	\$ —	\$—	\$ —
Liabilities ⁽³⁾ :							
Interest Rate Swap	1/15/2015	2/15/2019	1.826%	\$11	\$ 338	\$30,000	\$ 30,000
Interest Rate Swap	7/15/2015	2/15/2019	2.010%	\$70	\$ 440	\$28,891	\$ 29,674
Interest Rate Swap	8/14/2015	12/14/2018	1.790%	\$18	\$ 529	\$50,000	\$ 50,000
Interest Rate Swap	2/16/2016	12/14/2018	2.005%	\$120	\$ 738	\$50,000	\$ 50,000

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

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

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

Derivative instruments that are subject to master netting arrangements and qualify for net presentation in the consolidated balance sheets are presented on a gross basis in the consolidated balance sheets as of December 31, 2017 and 2016. As of December 31, 2017, if we had recognized these derivative instruments on a net basis, we would have reported an interest rate swap asset of \$7.0 million and an interest rate swap liability of zero, which represent the net balances after the effect of offsetting with counterparties where we had both derivative assets and derivative liabilities. The following table sets forth the impact of our interest rate swaps on our consolidated statements of operations for the periods presented (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Interest Rate Swaps in Cash Flow Hedging Relationships:			
Amount of gain (loss) recognized in AOCI on derivatives (effective portion)	\$2,084	\$4,475	\$(2,781)
Amount of loss reclassified from AOCI into earnings under “Interest expense” (effective portion)	\$(1,341)	\$(2,218)	\$(1,039)
Amount of gain (loss) recognized in earnings under “Interest expense” (ineffective portion and amount excluded from effectiveness testing)	\$—	\$—	\$—

During the next twelve months, we estimate that an additional \$0.5 million will be reclassified from AOCI as a decrease 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 December 31, 2017, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, we have determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth the estimated fair value of our interest rate swaps as of December 31, 2017 and 2016, which we measure on a recurring basis by level within the fair value hierarchy (in thousands).

	Fair Value Measurement Using				
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2017					
Interest Rate Swap Asset	\$7,193	\$	—\$ 7,193	\$	—
Interest Rate Swap Liability	\$(219)	\$	—\$ (219)	\$	—
December 31, 2016					
Interest Rate Swap Asset	\$5,594	\$	—\$ 5,594	\$	—
Interest Rate Swap Liability	\$(2,045)	\$	—\$ (2,045)	\$	—

Financial Instruments Disclosed at Fair Value

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

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

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

Liabilities	Fair Value Measurement Using				Carrying Value
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Notes Payable at:					
December 31, 2017	\$673,377	\$	—\$	—\$ 673,377	\$668,941
December 31, 2016	\$507,733	\$	—\$	—\$ 507,733	\$500,184

9. Related Party Transactions

Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management fees and leasing commissions from entities controlled individually by Mr. Schwimmer. Fees and commissions earned from these entities are included in “Management, leasing and development services” in the consolidated statements of operations. We recorded \$0.4 million, \$0.3 million and \$0.2 million during the years ended December 31, 2017, 2016

and 2015, respectively, in management, leasing and development services revenue.

Purchase and Sale Agreement

On November 30, 2017, we entered into a purchase and sale agreement (the "Agreement") with 6110-6114 Cahuenga Avenue, LLC (the "Buyer") for the sale of our property located at 200-220 South Grand Avenue for a contract price of approximately \$4.4 million. Larry Schwimmer is the general partner of 6110-6114 Cahuenga Avenue, LLC, and father of Howard Schwimmer, our Co-Chief Executive Officer. Prior to entering into the Agreement, the relevant facts and circumstances relating to this transaction were presented to our audit committee, in accordance with our corporate governance guidelines, and to our board of directors. This transaction was unanimously approved by our audit committee in accordance with our corporate governance guidelines.

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10. Commitments and Contingencies

Legal

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

Environmental

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

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

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

As of December 31, 2017 and 2016, we had a \$1.1 million and \$1.1 million contingent liability recorded in the line item "Accounts payable and accrued expenses" in our consolidated balance sheets, reflecting the estimated remaining cost to remediate environmental liabilities at West 228th Street that existed prior to the acquisition date. As of December 31, 2017 and 2016, we also had a \$1.1 million and \$1.1 million corresponding indemnification asset recorded in the line item "Other assets" in our consolidated balance sheets, 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 be sure that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that such environmental liabilities arise. Furthermore, we cannot assure you that future changes to environmental laws or regulations and their application will not give rise to loss contingencies for future environmental remediation.

Rent Expense

As of December 31, 2017, we lease a parcel of land that is currently being sub-leased to a tenant for a parking lot. This ground lease is scheduled to expire on June 1, 2062. We recognized rental expense for our ground lease in the amount of \$0.1 million, \$0.1 million and \$0.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

As part of conducting our day-to-day business, we also lease office space under operating leases. We recognized rental expense for our corporate and satellite office leases in the amount of \$0.5 million, \$0.5 million and \$0.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The future minimum commitment under our corporate and satellite office leases and ground lease as of December 31, 2017, is as follows (in thousands):

For the year ending December 31:	Office Lease	Ground Lease
2018	\$783	\$144
2019	569	144
2020	164	144
2021	120	144
2022	—	144
Thereafter	—	5,676
Total	\$1,636	\$6,396

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

Tenant and Construction Related

As of December 31, 2017, we had commitments of approximately \$19.0 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 December 31, 2017, we do not believe we are exposed to significant credit risk due to the financial position of the institutions in which those deposits are held.

As of December 31, 2017, all of our properties are located in the Southern California infill markets. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate.

During the year ended December 31, 2017, no single tenant accounted for more than 5% of our total rental revenues.

11. Investments in Unconsolidated Real Estate Entities

On July 6, 2016, we acquired the property located at 3233 Mission Oaks Boulevard (the “final JV property”), which comprised substantially all of the JV’s assets, from the JV for a contract price of \$25.7 million. Prior to the acquisition, our ownership interest in the final JV property was 15%. Following the acquisition, we own 100% of the final JV property and are accounting for it on a consolidated basis (See Note 3). In connection with the JV’s sale of the final JV property, we wrote-off the related \$0.6 million unamortized basis adjustment. Immediately after the sale of the final JV property, the carrying value of our investment in unconsolidated real estate entities was \$3.6 million.

Following the sale of the final JV property, the JV distributed all of its available cash, with the exception of a small amount of working capital which was retained to cover any residual costs associated with the winding down of the JV. Our share of the JV distributions totaled \$5.5 million, which exceeded the \$3.6 million carrying value of our investment immediately after the sale of the final JV property. We recorded the \$1.9 million of excess distributions as a realized gain in the line item “Equity in income from unconsolidated real estate entities” in the consolidated statements of operations.

During the year ended December 31, 2017, the remaining assets were liquidated by the JV and we received a final distribution in the amount of \$11 thousand which is reported in the line item “Equity in income from unconsolidated

real estate entities” in the consolidated statements of operations.

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The following table presents the combined summarized results of operations of our unconsolidated joint venture. These amounts include the results of operations of the final JV property during the period prior to July 6, 2016, when we acquired the remaining 85% ownership interest in the final JV property. Amounts provided are attributable to the JV and do not represent our proportionate share (in thousands).

	Year Ended	
	December 31,	
	2017	2016
Revenues	\$1,281	\$2,673
Expenses	(442)	(1,911)
Gain on sale of properties	3,458	—
Net income	\$4,297	\$762

Management Services

During the time that the JV owned the final JV Property, we performed property and construction management services for the JV property. We earned fees and commissions for these services totaling zero, \$0.1 million and \$0.2 million during the years ended December 31, 2017, 2016 and 2015, respectively, which are included in the line item “Management, leasing and development services” in the consolidated statements of operations.

12. Dispositions and Real Estate Held for Sale

Dispositions

The table below summarizes the properties we sold during the years ended December 31, 2017 and December 31, 2016 (dollars in thousands). We did not complete any dispositions during the year ended December 31, 2015.

Address	Submarket	Date of Disposition	Rentable Square Feet	Contract Sales Price	Gain Recorded
2017 Dispositions:					
9375 Archibald Avenue	Inland Empire West	3/31/2017	62,677	\$6,875	\$2,668
2535 Midway Drive	San Diego - Central	5/17/2017	373,744	\$40,050	\$16,026
2811 Harbor Boulevard	Orange County - Airport	6/28/2017	126,796	\$18,700	\$594
12345 First American Way	San Diego - Central	10/31/2017	40,022	\$7,600	\$4,146
9401 De Soto Avenue	Los Angeles - San Fernando Valley	11/2/2017	150,831	\$23,000	\$4,748
77-700 Enfield Lane	Inland Empire East	11/29/2017	21,607	\$2,431	\$1,391
Total			775,677	\$98,656	\$29,573
2016 Dispositions:					
6010 N. Paramount Boulevard	Los Angeles - South Bay	5/2/2016	16,534	\$2,480	\$944
1840 Dana Street	Los Angeles - San Fernando Valley	5/25/2016	13,497	\$4,250	\$1,445
12910 East Mulberry Drive	Los Angeles - Mid-Counties	6/7/2016	153,080	\$15,000	\$9,174
22343-22349 La Palma Avenue	Orange County - North	11/22/2016	115,760	\$17,000	\$4,752
331 East 157th Street	Los Angeles - South Bay	11/28/2016	12,000	\$1,975	\$1,062
Total			310,871	\$40,705	\$17,377

Real Estate Held for Sale

As of December 31, 2017, our properties located at (i) 700 Allen Avenue and 1830 Flower Street and (ii) 8900-8980 Benson Avenue and 5637 Arrow Highway were classified as held for sale. As of December 31, 2016, we did not have any properties classified as held for sale.

The following table summarizes the major classes of assets and liabilities associated with real estate properties classified as held for sale as of December 31, 2017:

	December 31, 2017
Land	\$ 5,671
Buildings and improvements	7,180
Tenant improvements	429
Construction in progress	16
Real estate held for sale	13,296
Accumulated depreciation	(1,609)
Real estate held for sale, net	11,687
Acquired lease intangible assets, net	71
Other assets associated with real estate held for sale	678
Total assets associated with real estate held for sale, net	\$ 12,436
Tenant security deposits	\$ 193
Other liabilities associated with real estate held for sale	50
Total liabilities associated with real estate held for sale	\$ 243

13. Stockholders' Equity

Preferred Stock

On November 13, 2017, we completed an underwritten public offering of 3,000,000 shares of our 5.875% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock") at a price of \$25.00 per share. The net proceeds from the offering were approximately \$72.5 million after deducting the underwriters' discount and offering costs totaling \$2.5 million. The Series B Preferred Stock is presented in stockholders' equity on the consolidated balance sheet net of issuance costs.

On August 16, 2016, we completed an underwritten public offering of 3,600,000 shares of our 5.875% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") at a price of \$25.00 per share. The net proceeds from the offering were approximately \$86.7 million after deducting the underwriters' discount and offering costs totaling \$3.3 million. The Series A Preferred Stock is presented in stockholders' equity on the consolidated balance sheet net of issuance costs.

Dividends on our Series A Preferred Stock and Series B Preferred Stock (collectively the "Series A and B Preferred Stock") are cumulative from the date of original issuance and are payable quarterly in arrears on or about the last day of March, June, September and December of each year, beginning on December 31, 2016, for our Series A Preferred Stock and beginning on March 30, 2018, for our Series B Preferred Stock, at a rate of 5.875% per annum of its \$25.00 per share liquidation preference (equivalent to \$1.46875 per share per annum). The Series A and B Preferred Stock have no stated maturity date and are not subject to any mandatory redemption or sinking fund. The holders of our Series A and B Preferred Stock rank senior to the holders of our common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding up of its affairs. The holders of our Series A and B Preferred Stock generally have no voting rights except for limited voting rights if we fail to pay dividends for six or

more quarterly dividend periods (whether or not consecutive). We may not redeem the Series A Preferred Stock prior to August 16, 2021, and the Series B Preferred Stock prior to November 13, 2022, except in limited circumstances to preserve our status as a REIT or pursuant to a specified change of control transaction. On or after August 16, 2021, we may redeem our Series A Preferred Stock, and on or after November 13,

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2022, we may redeem our Series B Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus any accumulated, accrued and unpaid distributions through the date of redemption. Upon the occurrence of a specified change of control transaction, we may, at our option, redeem the Series A Preferred Stock and/or the Series B Preferred Stock in whole or in part within 120 days after the change of control occurred, by paying \$25.00 per share in cash, plus any accrued and unpaid distributions through the date of redemption. If we do not exercise our right to redeem the Series A Preferred Stock and/or the Series B Preferred Stock, upon the occurrence of a specified change of control transaction, the holders of the Series A and B Preferred Stock have the right to convert some or all of their shares into a number of the Company's common shares equivalent to \$25.00 plus accrued and unpaid dividends, but not to exceed a cap of 2.2738 shares of common stock per share of Series A Preferred Stock or a cap of 1.6578 shares of common stock per share of Series B Preferred Stock, subject to certain adjustments.

Common Stock Issuances

On April 15, 2016, we completed a public follow-on offering of 10,350,000 shares of our common stock, including the underwriters' exercise in full of its option to purchase 1,350,000 shares of our common stock, at an offering price of \$17.65 per share. The net proceeds of the follow-on offering were \$174.4 million, after deducting the underwriters' discount and offering costs totaling \$8.3 million. On April 15, 2016, we contributed the net proceeds of the offering to our Operating Partnership in exchange for 10,350,000 common units of partnership interests in the Operating Partnership ("OP Units").

On February 3, 2015, we completed a public follow-on offering of 11,500,000 shares of our common stock at an offering price of \$16.00 per share. The net proceeds of the follow-on offering were \$176.2 million, after deducting the underwriters' discount and offering costs totaling \$7.8 million. On February 3, 2015, we contributed the net proceeds of the offering to our Operating Partnership in exchange for 11,500,000 OP Units.

ATM Program

On September 21, 2017, we established a new at-the-market equity offering program (the "\$300 Million ATM Program") pursuant to which we may sell from time to time up to an aggregate of \$300.0 million of our common stock through sales agents. The \$300 Million ATM Program replaces our previous \$150 million at-the-market equity offering program, which was established on June 12, 2017. In addition, we previously established a \$125 million at-the-market program on April 17, 2015. All available shares of common stock under the \$150 million and \$125 million at-the-market programs were sold prior to establishing new programs.

During the year ended December 31, 2017, we sold 11,968,927 shares of our common stock under our various at-the-market equity offering programs, at a weighted average price of \$28.13 per share, for gross proceeds of \$336.6 million. The net proceeds from these sales were \$331.6 million, after deducting the sales agents' fee. During the year ended December 31, 2016, we sold 402,683 shares of our common stock under the \$125 million at-the-market program, at a weighted average price of \$23.13 per share, for gross proceeds of \$9.3 million. The net proceeds from these sales were \$9.2 million, after deducting the sales agents' fee. During the year ended December 31, 2015, we sold 500 shares of our common stock under the \$125 million at-the-market program at a price of \$14.30 per share, for gross proceeds of \$7 thousand. As of December 31, 2017, we had the capacity to issue up to an additional \$229.0 million of common stock under the \$300 Million ATM Program. Actual sales going forward, if any, will depend on a variety of factors, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Noncontrolling Interests

Noncontrolling interests in our Operating Partnership relate to interests in the partnership that are not owned by us. As of December 31, 2017, noncontrolling interests consisted of 1,905,740 OP Units and 112,505 fully-vested LTIP units and represented approximately 2.5% of our Operating Partnership. OP Units and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss 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. See Note 14 for a description of LTIP units.

During the years ended December 31, 2017, 2016 and 2015, we redeemed 61,256, 59,646 and 288,234 OP Units, respectively, in exchange for issuing to the holders of the OP Units an equal number of shares of our common stock, resulting in the reclassification of \$0.6 million, \$0.6 million, and \$3.2 million, respectively, from noncontrolling interests to total stockholders' equity.

During the year ended December 31, 2015, we redeemed 8,468 OP Units for approximately \$0.1 million at a price of \$16.07 per unit. We did not redeem any OP units for cash during the years ended December 31, 2017 and 2016.

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As described in Note 3, on April 15, 2016, as part of the REIT Portfolio Acquisition, we acquired 100% of the private REIT's common stock and 575 of 700 issued and outstanding shares of the private REIT's 12.5% cumulative non-voting preferred stock. The remaining 125 shares of preferred stock that were not immediately redeemed by us, were classified as noncontrolling interests in our consolidated balance sheets, with a balance equal to its liquidation preference of \$1,000 per share, or an aggregate liquidation preference of \$125,000.

On June 22, 2017, we adopted a plan of liquidation and dissolution of the private REIT, and on December 31, 2017, we completed the liquidation of the private REIT, by distributing all assets to the Operating Partnership. As part of the liquidation process, we paid a liquidating distribution of \$1,000 per share, or an aggregate liquidating distribution of \$125,000, as payment in full for the redemption of the remaining 125 shares of preferred stock not held by us.

Changes in Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in our AOCI balance for the years ended December 31, 2017 and 2016, which consists solely of adjustments related to our cash flow hedges:

	2017	2016
Accumulated other comprehensive income (loss) - beginning balance	\$3,445	\$(3,033)
Other comprehensive income before reclassifications	2,084	4,475
Amounts reclassified from accumulated other comprehensive income to interest expense	1,341	2,218
Net current period other comprehensive income	3,425	6,693
Less: other comprehensive income attributable to noncontrolling interests	(71)	(215)
Other comprehensive income attributable to common stockholders	3,354	6,478
Accumulated other comprehensive income - ending balance	\$6,799	\$3,445

Dividends

Earnings and profits, which determine the taxability of dividends to stockholders, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of loss on extinguishment of debt, revenue recognition and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation expense.

The following table summarizes the tax treatment of common stock dividends and preferred stock dividends per share for federal income tax purposes for the years ended December 31, 2017, 2016 and 2015:

	Common Stock			Preferred Stock						
	Year Ended December 31,		2015	Year Ended December 31,		2016				
	2017	2016		2017	2016					
Ordinary Income	\$0.498827	95.68 %	\$0.452085	99.66 %	\$0.478948	93.91 %	\$0.146875	100.00%	\$0.548884	99.66 %
Return of Capital	0.022526	4.32 %	—	— %	—	— %	—	— %	—	— %
Capital Gain ⁽¹⁾	—	— %	0.001562	0.34 %	0.031052	6.09 %	—	— %	0.001896	0.34 %
Total	\$0.521353	100.00%	\$0.453647	100.00%	\$0.510000	100.00%	\$0.146875	100.00%	\$0.550780	100.00%

100.0% and 0.0% of the capital gains reported for the years ended December 31, 2016 and 2015, respectively, are (1) comprised of an unrecaptured Section 1250 gain. There were no capital gains reported for the year ended December 31, 2017.

14. Incentive Award Plan

In July 2013, our board of directors adopted the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the “Plan”). The Plan provides for the grant of stock options, including incentive stock options and nonqualified stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, other incentive awards, 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. Our employees, consultants and non-employee directors are eligible to receive awards under the Plan. The Plan is administered by our board of directors with respect to awards to non-employee directors and by our compensation committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of our directors and/or officers (collectively the “plan administrator”), subject to certain limitations. The plan administrator sets the terms and conditions of all awards under the Plan, including any vesting and vesting acceleration conditions.

The aggregate number of shares of our common stock, LTIP units and Performance Units that may be issued or transferred pursuant to the Plan is 2,272,689 shares (of which 540,732 shares of common stock, LTIP units and Performance Units remain available for issuance as of December 31, 2017). Shares and units granted under the Plan may be authorized but unissued shares or LTIP 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 LTIP 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 more fully described in the Operating Partnership’s partnership agreement (“book-up events”), the LTIP Units and Performance Units can over time achieve full parity with the common 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 per-unit distribution paid on OP Units.

On December 15, 2017, the compensation committee approved the grant under the Plan to Messrs. Howard Schwimmer, Michael S. Frankel, Adeel Khan and David Lanzer (collectively, the “executives”) of 122,631 LTIP Units, that are subject to time-based vesting requirements (the “2017 LTIP Award”), and 188,250 Performance Units, that are subject to market-based vesting requirements (the “2017 Performance Award”).

On December 29, 2016, the compensation committee approved the grant under the Plan to the executives (not including Mr. Lanzer) of 116,690 LTIP Units, that are subject to time-based vesting requirements (the “2016 LTIP Award”), and 199,000 Performance Units, that are subject to market-based vesting requirements (the “2016 Performance Award”).

On December 15, 2015, the compensation committee approved the grant under the Plan to the executives (not including Mr. Lanzer) of 166,669 LTIP Units, that are subject to time-based vesting requirements (the “2015 LTIP Award”), and 315,998 Performance Units, that are subject to market-based vesting requirements (the “2015 Performance Award”).

LTIP Unit Awards

The 2017 LTIP Award is scheduled to vest one-third in equal installments on each of the first, second and third anniversaries of the grant date, and both the 2016 LTIP Award and the 2015 LTIP Award are scheduled to vest in equal installments of 25% on each of the first, second, third and fourth anniversaries of the grant date. Each award is subject to each executive's continued employment through the applicable vesting date, and subject to earlier vesting upon certain termination of employment or a change in control event, as described in the award agreements.

Compensation expense will be recognized using the accelerated expense attribution method, with each vesting tranche valued as a separate award. The total grant date fair value of each annual LTIP award is based on the Company's most recent closing stock price preceding the grant and the application of a discount for post-vesting restrictions and uncertainty regarding the occurrence and timing of book-up events. The following table summarizes these fair valuation assumptions and the grant date fair value of each annual LTIP award:

	2017 Performance Award December 15, 2017	2016 Performance Award December 29, 2016	2015 Performance Award December 15, 2015
Closing share price of common stock	\$ 30.58	\$ 22.71	\$ 15.90
Discount for post-vesting restrictions and book-up events	5.0 %	5.0 %	5.0 %
Grant date fair value (in thousands)	\$ 3,563	\$ 2,518	\$ 2,518

The following table sets forth our unvested LTIP Unit activity for the years ended December 31, 2017, 2016 and 2015:

	Number of Unvested LTIP Units	Weighted-Average Grant Date Fair Value per Unit
Balance at December 31, 2014	—	\$ —
Granted	166,669	\$ 15.11
Forfeited	—	\$ —
Vested	—	\$ —
Balance at December 31, 2015	166,669	\$ 15.11
Granted	116,690	\$ 21.57
Forfeited	—	\$ —
Vested	(41,668)	\$ 13.91
Balance at December 31, 2016	241,691	\$ 18.43
Granted	122,631	\$ 29.05
Forfeited	—	\$ —
Vested	(70,837)	\$ 17.48
Balance at December 31, 2017	293,485	\$ 23.10

Performance Unit Awards

For each of the 2017 Performance Award, the 2016 Performance Award and the 2015 Performance Award (collectively the “Performance Awards”), the number of Performance Units that ultimately vest, which will range from 0% to 100% of the units granted, will be based on the Company’s total shareholder return (“TSR”) over a three-year performance period, and is further subject to the executive’s continued employment. For the 2017 Performance Award, the three-year performance period begins on December 15, 2017, and ends of December 14, 2020. For the 2016 Performance Award, the three-year performance period begins on December 29, 2016, and ends on December 28, 2019, and for the 2015 Performance Award, the three-year performance period begins on December 15, 2015, and ends on December 14, 2018. TSR is measured as the appreciation in the price per share of the Company’s common stock plus dividends paid during the three-year performance period, assuming the reinvestment in common stock of all dividends paid during the performance period. Each of the Performance Awards is comprised of a number of units designated as base units and distribution equivalent units. Forty percent (40%) of the base units are designated as “absolute TSR base units,” and vest based on varying levels of the Company’s TSR over the three-year performance period. The other sixty percent (60%) of the base units are designated as “relative TSR base units” and vest based on the Company’s TSR as compared to the TSR percentage of a peer group of companies included in the SNL U.S. Equity REIT Index over the three-year performance period. As noted above, Performance Units that have not vested will receive 10% of the distributions paid on OP units. The remaining 90% of the distributions will accrue (assuming the reinvestment in common stock of these distributions) during the three-year performance period and a portion will be paid out as distribution equivalent units based upon the number of absolute and relative units that ultimately vest. The TSR levels and vesting percentages for the absolute TSR base units and relative TSR base units for each of the Performance Awards are summarized in the following tables:

2017 Performance Award						
Absolute TSR Base Units			Relative TSR Base Units			
Level	Company TSR Percentage	Absolute TSR Vesting Percentage	Peer Group Performance	Relative TSR Vesting Percentage		
	< 18%	— %	< 35th Percentile	— %		
“Threshold Level”	18	% 25	35th Percentile	25	% %	
“Target Level”	27	% 60	55th Percentile	60	% %	
“Maximum Level”	≥ 36%	100 %	≥ 75th Percentile	100	% %	

2016 Performance Award						
Absolute TSR Base Units			Relative TSR Base Units			
Level	Company TSR Percentage	Absolute TSR Vesting Percentage	Peer Group Performance	Relative TSR Vesting Percentage		
	< 21%	— %	< 50th Percentile	— %		
“Threshold Level”	21	% 25	50th Percentile	25	% %	
“Target Level”	35.5	% 60	62.5th Percentile	60	% %	
“Maximum Level”	≥ 50%	100 %	≥ 75th Percentile	100	% %	

2015 Performance Award				
Absolute TSR Base Units		Relative TSR Base Units		
Level	Company TSR	Absolute TSR	Peer Group Performance	Relative TSR

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	Percentage			Vesting Percentage			
	< 24%	—	%	< 50th Percentile	—	%	
“Threshold Level”	24	%	20	%	50th Percentile	20	%
“Target Level”	37	%	60	%	62.5th Percentile	60	%
“Maximum Level”	≥ 50%	100	%	≥ 75th Percentile	100	%	

If the Company’s TSR percentage or the peer group relative performance falls between the levels specified in the tables above, the percentage of absolute base units or relative base units that vest will be determined using straight-line interpolation

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between such levels.

The fair value of the Performance Awards is based on the sum of: (1) the present value of the expected payoff to the vested absolute and relative base units, (2) the present value of the 10% portion of the distribution expected to be paid during the three-year performance period, and (3) the present value of the distribution equivalent units expected to be awarded at the end of the three-year performance period. The fair value of the Performance Awards was measured using a Monte Carlo simulation pricing model, which uses 100,000 trial simulations to estimate the probability that the market conditions, TSR on both an absolute and relative basis, will be achieved over the three-year performance period.

The following table summarizes the assumptions we used in the Monte Carlo simulations and the grant date fair value of the Performance Awards.

	2017	2016	2015		
	Performance Award	Performance Award	Performance Award		
	December 15, 2017	December 29, 2016	December 15, 2015		
Valuation date					
Expected share price volatility for the Company	18.0	% 20.0	% 24.0	%	
Expected share price volatility for peer group companies - low end of range ⁽¹⁾	15.0	% 21.0	% 21.0	%	
Expected share price volatility for peer group companies - high end of range ⁽¹⁾	100.0	% 50.0	% 62.0	%	
Expected dividend yield	2.40	% 2.80	% 3.40	%	
Risk-free interest rate	1.96	% 1.49	% 1.28	%	
Grant date fair value (in thousands)	\$ 2,714	\$ 1,753	\$ 2,157		

(1) For the 2017 Performance Award, the median and average expected share price volatilities for the peer group companies are 21.0% and 25.3%, respectively.

The expected share price volatilities are based on a mix of the historical and implied volatilities of the Company and the peer group companies. The expected dividend yield is based on our average historical dividend yield since our IPO and our dividend yield as of the valuation date for each award. The risk-free interest rate is based on U.S. Treasury note yields matching the three-year time period of the performance period.

Compensation cost will be recognized ratably over the requisite service period, regardless of whether the TSR levels are achieved and any awards ultimately vest. We will only reverse compensation expense if the holder of a Performance Unit forfeits the award by leaving the employment of the Company prior to vesting.

Restricted Common Stock

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

The compensation committee has periodically awarded grants of restricted common stock to various employees of the Company, other than executives, for the purpose of attracting or retaining the services of these key individuals. These grants typically vest in four equal, annual installments on each of the first four anniversaries of the date of grant, subject to the employee's continued service. During the year ended December 31, 2017, we granted 91,542 shares of restricted common stock to non-executive employees. The grant date fair value of these awards was \$2.1 million based on the closing share price of the Company's common stock on the date of grant, which ranged from \$23.04 to \$30.58 per share.

In accordance with the Rexford Industrial Realty, Inc. Non-Employee Director Compensation Program, each year on the date of the annual meeting of the Company's stockholders, we grant shares of restricted common stock to each of our non-employee directors who are re-elected for another year of service. These awards vest on the earlier of (i) the date of the annual meeting of the Company's stockholders next following the grant date and (ii) the first anniversary of

the grant date, subject to each non-employee director's continued service. During the year ended December 31, 2017, we granted 2,637 shares of restricted

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common stock to each of our non-employee directors. The grant date fair value of each award was \$70,000 based on the \$26.55 closing share price of the Company's common stock on the date of grant.

The following table sets forth our unvested restricted stock activity for the years ended December 31, 2017, 2016 and 2015:

	Number of Unvested Shares of Restricted Common Stock	Weighted-Average Grant Date Fair Value per Share
Balance at December 31, 2014	320,017	\$ 14.30
Granted	152,103	\$ 15.34
Forfeited	(31,925)	\$ 14.54
Vested ⁽¹⁾⁽²⁾	(106,754)	\$ 14.34
Balance at December 31, 2015	333,441	\$ 14.30
Granted	103,704	\$ 18.03
Forfeited	(23,968)	\$ 15.37
Vested ⁽¹⁾⁽²⁾	(125,350)	\$ 14.63
Balance at December 31, 2016	287,827	\$ 15.92
Granted	104,727	\$ 23.78
Forfeited	(35,959)	\$ 18.74
Vested ⁽¹⁾⁽²⁾	(165,900)	\$ 15.43
Balance at December 31, 2017	190,695	\$ 20.13

The total fair value of vested shares, which is calculated as the number of shares vested multiplied by the closing (1) share price of the Company's common stock on the vesting date, was \$4.5 million, \$2.6 million and \$1.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Total shares vested include 57,444, 36,374 and 12,670 shares of common stock that were tendered by employees (2) during the years ended December 31, 2017, 2016 and 2015, respectively, to satisfy minimum statutory tax withholding requirements associated with the vesting of restricted shares.

The following table sets forth the vesting schedule of total unvested shares of restricted common stock outstanding as of December 31, 2017:

Twelve months ending December 31:	Shares
2018	83,314
2019	50,591
2020	37,066
2021	19,724
	190,695

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):

	Year Ended December 31,		
	2017	2016	2015
Expensed share-based compensation ⁽¹⁾	\$5,398	\$3,835	\$1,752
Capitalized share-based compensation ⁽²⁾	162	147	101
Total share-based compensation	\$5,560	\$3,982	\$1,853

- (1) Amounts expensed are included in “General and administrative” and “Property expenses” in the accompanying consolidated statements of operations.
- (2) Amounts capitalized, which relate to employees who provide construction and leasing services, are included in “Building and improvements” and “Deferred leasing costs, net” in the accompanying consolidated balance sheets. As of December 31, 2017, total unrecognized compensation cost related to all unvested share-based awards was \$12.5 million and is expected to be recognized over a weighted average remaining period of 27 months.

15. 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):

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net income	\$41,700	\$ 25,876	\$ 1,950
Less: Preferred stock dividends	(5,875)	(1,983)	—
Less: Net income attributable to noncontrolling interests	(988)	(750)	(76)
Less: Net income attributable to participating securities	(410)	(302)	(223)
Net income attributable to common stockholders	\$34,427	\$ 22,841	\$ 1,651
Denominator:			
Weighted average shares of common stock outstanding - basic	71,198,862	62,723,021	54,024,923
Effect of dilutive securities - performance units	399,792	242,533	—
Weighted average shares of common stock outstanding - diluted	71,598,654	62,965,554	54,024,923
Earnings per share - Basic			
Net income attributable to common stockholders	\$0.48	\$ 0.36	\$ 0.03
Earnings per share - Diluted:			
Net income attributable to common stockholders	\$0.48	\$ 0.36	\$ 0.03

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 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.

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16. Quarterly Information (unaudited)

The following tables set forth selected quarterly information for the years ended December 31, 2017 and 2016 (in thousands except per share amounts):

	Three Months Ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total revenues	\$45,880	\$ 43,339	\$36,782	\$ 35,354
Net operating income ⁽¹⁾	\$33,615	\$ 32,001	\$26,883	\$ 25,779
Net income	\$14,115	\$ 2,009	\$19,855	\$ 5,721
Net income attributable to common stockholders	\$11,819	\$ 586	\$17,846	\$ 4,176
Net income attributable to common stockholders per share - basic	\$0.15	\$ 0.01	\$0.26	\$ 0.06
Net income attributable to common stockholders per share - diluted	\$0.15	\$ 0.01	\$0.26	\$ 0.06

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total revenues	\$34,777	\$ 33,303	\$30,608	\$ 27,504
Net operating income ⁽¹⁾	\$25,310	\$ 23,966	\$22,538	\$ 19,827
Net income	\$8,546	\$ 3,061	\$12,792	\$ 1,477
Net income attributable to common stockholders	\$6,928	\$ 2,267	\$12,299	\$ 1,347
Net income attributable to common stockholders per share - basic and diluted	\$0.11	\$ 0.03	\$0.19	\$ 0.02
Net income attributable to common stockholders per share - diluted	\$0.10	\$ 0.03	\$0.19	\$ 0.02

⁽¹⁾ Net operating income is calculated as total rental revenues from real estate operations including (i) rental income, (ii) tenant reimbursements and (iii) other income less property expenses.

17. Subsequent Events

Dispositions

On January 2, 2018, we completed the sale of our property located at 8900-8980 Benson Avenue and 5637 Arrow Highway in Montclair, California ("Benson"). The property was sold to an unaffiliated third party for a contract price of \$11.4 million and net proceeds of \$10.7 million.

On January 17, 2018, we completed the sale of our property located at 700 Allen Avenue and 1830 Flower Street in Glendale, California. The property was sold to an unaffiliated third party for a contract price of \$10.9 million and net proceeds of \$10.3 million.

Acquisitions

On January 17, 2018, we acquired the property located at 13971 Norton Avenue in Valencia, California for a contract price of approximately \$11.4 million. The property was partially funded through a 1031 Exchange using the net cash proceeds from the sale of Benson and with available cash on hand. The property consists of one single-tenant building with 103,208 rentable square feet.

Dividends Declared

On February 12, 2018, our board of directors declared a quarterly cash dividend in the amount of \$0.16 per share of common stock and a quarterly cash distribution in the amount of \$0.16 per OP Unit, to be paid on April 16, 2018, to holders of record as of March 30, 2018.

On February 12, 2018, our board of directors declared a quarterly cash dividend in the amount of \$0.367188 per share of Series A Preferred Stock, to be paid on March 30, 2018, to holders of record as of March 15, 2018. On February 12, 2018, our board of directors also declared a pro-rata cash dividend, for the period beginning on November 13, 2017, the original issuance date of the Series B Preferred Stock, to March 31, 2018, in the amount of \$0.563021 per share of our Series B Preferred Stock, to be paid on March 30, 2018, to holders of record as of March 15, 2018.

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REXFORD INDUSTRIAL REALTY, INC.
SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION
(Dollars in thousands)

Property Address	Location	Encumbrances	Initial Cost		Costs Capitalized Subsequent to Acquisition ⁽¹⁾		Gross Amounts at Which Carried at Close of Period		Accumulated Depreciation ⁽³⁾	Year Built / Year Renovated	Year Acquired
			Land	Building Improvements	Building Improvements	Land ⁽²⁾	Building & Improvements ⁽²⁾	Total			
15241 - 15277, 15317 - 15339 Don Julian Rd.	City of Industry, CA	(4)	\$3,875	\$2,407	\$9,557	\$3,875	\$11,964	\$15,839	\$(5,878)	1965, 2005 / 2003	2002
300 South Lewis Rd.	Camarillo, CA	(4)	4,150	3,050	7,195	4,150	10,245	14,395	(5,480)	1960-1963 / 2006	2003
1400 South Shamrock	Monrovia, CA	--	2,317	2,534	672	2,317	3,206	5,523	(2,057)	1957, 1962 / 2004	2003
2220-2260 Camino del Sol	Oxnard, CA	(4)	868	—	4,171	868	4,171	5,039	(1,476)	2005	2003
14250-14278 Valley Blvd.	La Puente, CA	--	2,539	2,020	2,357	2,539	4,377	6,916	(2,313)	1974 / 2007	2003
2300-2386 East Walnut Ave.	Fullerton, CA	(4)	6,817	6,089	872	6,817	6,961	13,778	(3,539)	1985-1986 / 2005	2004
15140 & 15148 Bledsoe St., 13065 - 13081 Bradley Ave.	Sylmar, CA	--	2,525	3,380	6,104	2,525	9,484	12,009	(3,488)	1969, 2008 / 2006 / 2016	2004
28340 - 28400 Avenue Crocker	Valencia, CA	--	2,666	3,343	3,464	2,666	6,807	9,473	(2,832)	1987 / 2006 / 2015	2004
21-29 West Easy St.	Simi Valley, CA	--	2,346	4,522	2,226	2,346	6,748	9,094	(2,986)	1991 / 2006	2004
10439-10477 Roselle St.	San Diego, CA	--	4,711	3,199	2,343	4,711	5,542	10,253	(726)	1970 / 2007	2013
1631 N. Placentia Ave., 2350 - 2384 E. Orangethorpe	Anaheim, CA	--	4,893	1,386	1,281	4,893	2,667	7,560	(1,203)	1973 / 2007	2005

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Ave. 2575 Pioneer Ave.	Vista, CA	--	1,784	2,974	1,929	1,784	4,903	6,687	(2,234)	1988 / 2006	2004
311, 319 & 329 157th St.	Gardena, CA	--	2,508	529	1,345	2,508	1,874	4,382	(797)	1960-1971 / 2006-2011	2006
9641 - 9657 Santa Fe Springs Rd.	Santa Fe Springs, CA	--	3,740	260	6,924	3,740	7,184	10,924	(1,930)	1982 / 2009	2006
28159 Avenue Stanford	Valencia, CA	--	1,849	6,776	4,547	1,849	11,323	13,172	(4,298)	1987 / 2008 / 2015	2006
15715 Arrow Highway	Irwindale, CA	(4)	3,604	5,056	(89)	3,604	4,967	8,571	(2,191)	1989	2006
2431-2465 Impala Dr.	Carlsbad, CA	--	5,470	7,308	3,590	5,470	10,898	16,368	(4,613)	1983 / 2006	2006
6200 & 6300 Yarrow Dr.	Carlsbad, CA	--	5,001	7,658	3,531	5,001	11,189	16,190	(5,309)	1977-1988 / 2006	2005
6231 & 6241 Yarrow Dr.	Carlsbad, CA	--	3,473	5,119	1,067	3,473	6,186	9,659	(2,924)	1977 / 2006	2006

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Property Address	Location	Initial Cost	Building Encumbrances	Building Improvements and Leases	Building Land and Improvements (2)	Gross Capitalized Costs Subsequent to Acquisition (1)	Accumulated Depreciation (5)	Year Build / Year Renovated	Year Acquired
9160 - 9220 Cleveland Ave., 10860 6th St.	Rancho Cucamonga, CA	--	3,647,867	2,363	3,647,230	17,877,256	1988-1989 / 2006	2006	
18118-18120 S. Broadway	Carson, CA	--	3,023,161	861	3,021,022	6,033,550	1957 / 1989	2013	
901 W. Alameda Ave.	Burbank, CA	--	6,302,996	5,294	6,302,990	14,394,513	1969 / 2009	2007	
1938-1946 E. 46th St.	Vernon, CA	--	7,071,578	1,703	7,081,381	15,796,226	1961, 1983 / 2008-2010	2007	
89-91 N. San Gabriel Blvd., 2670-2674 Walnut Ave., 2675 Nina St.	Pasadena, CA	--	1,738,834	1,932	1,759,666	6,521,590	1947, 1985 / 2009	2008	
9220-9268 Hall Rd.	Downey, CA	--	6,927,902	154	6,927,056	10,010,244	2008	2009	
131 W. 33rd St.	National City, CA	--	2,359,029	397	2,359,026	7,810,407	1969 / 2008	2006	
5803 Newton Dr.	Carlsbad, CA	--	3,172,155	1,690	1,692,225	7,412,706	1997-1999 / 2009	2007	
929, 935, 939 & 951 Poinsettia Ave.	Vista, CA	--	4,459,900	805	2,880,443	7,571,961	1989 / 2007	2008	
200-220 South Grand Ave.	Santa Ana, CA	--	2,569,000	313	2,373,404	3,303,569	1973 / 2008	2007	
3720-3750 W. Warner Ave.	Santa Ana, CA	--	3,028,058	864	3,028,022	4,930,063	1973 / 2008	2007	
6750 Unit B-C - 6780 Central Ave.	Riverside, CA	--	3,323,118	1,182	1,447,776	3,219,114	1978	2007	
1050 Arroyo Ave.	San Fernando, CA	--	3,092,900	515	3,092,115	5,507,459	1969 / 2012	2010	
600-650 South Grand Ave.	Santa Ana, CA	--	4,298,875	1,049	4,298,824	10,412,112	1988	2010	
121-125 N. Vinedo Ave.	Pasadena, CA	--	3,483,530	1	3,483,531	7,019,205	1953 / 1993	2011	
3441 West MacArthur Blvd.	Santa Ana, CA	--	4,159,558	5	4,159,63	9,549,245	1973	2011	
6701 & 6711 Odessa Ave.	Van Nuys, CA	--	1,582,856	116	1,582,72	3,533,334	1970-1972 / 2012	2011	
13914-13932 Valley Blvd.	La Puente, CA	--	2,372,431	392	2,372,823	5,195,542	1978, 1988 / 2012	2011	
10700 Jersey Blvd.	Rancho Cucamonga, CA	--	3,148,860	447	3,158,807	8,461,069	1988-1989	2011	
15705, 15709 Arrow Highway & 5220 Fourth St.	Irwindale, CA	--	3,628,699	211	3,628,910	6,518,883	1987	2011	
	Torrance, CA	--	3,256,605	279	3,258,884	5,137,395	1989	2011	

20920-20950 Normandie
Ave.

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Property Address	Location	Encumbrances	Initial Cost	Building Costs Capitalized Subsequent to Acquisition	Building and Land Improvements	Gross Amounts at Which Carried at Close of Period ⁽¹⁾	Total Depreciation	Year Built / Renovated	Year Acquired
14944, 14946, 14948 Shoemaker Ave.	Santa Fe Springs, CA	--	3,720,641	409	3,720,641	6,776,000	1978 / 2012	2011	
6423-6431 & 6407-6119 Alondra Blvd.	Paramount, CA	--	1,399,665	15	1,399,665	2,336,691	1986	2011	
1400 S. Campus Ave.	Ontario, CA	--	3,266,661	2	3,266,663	6,249,401	1964-1966, 1973, 1987	2012	
15041 Calvert St.	Van Nuys, CA	--	4,096,570	18	4,096,588	5,688,301	1971	2012	
701 Del Norte Blvd.	Oxnard, CA	--	3,082,230	214	3,082,444	9,516,201	2000	2012	
3350 Tyburn St., 3332, 3334, 3360, 3368, 3370, 3378, 3380, 3410, 3424 N. San Fernando Rd.	Los Angeles, CA	--	17,998,471	12,668	17,998,471	60,117,275	1966, 1992, 1993, 1994	2013	
1661 240th St.	Los Angeles, CA	--	3,043,550	3,617	3,043,550	9,210,078	1975 / 1995	2013	
8101-8117 Orion Ave.	Van Nuys, CA	--	1,389,872	274	1,389,872	5,535,722	1978	2013	
18310-18330 Oxnard St.	Tarzana, CA	--	2,497,494	773	2,497,494	8,764,191	1973	2013	
1100-1170 Gilbert St. & 2353-2373 La Palma Ave.	Anaheim, CA	2,629 ⁽⁵⁾	4,582,135	447	4,582,135	10,164,161	1972 / 1990 / 2013	2013	
280 Bonita Ave., 2743 Thompson Creek Rd.	Pomona, CA	--	8,007,734	8	8,007,742	25,743,718	1983	2013	
2950 Madera Rd.	Simi Valley, CA	--	3,681,033	2	3,681,035	11,616,223	1988 / 2005	2013	
10635 Vanowen St.	Burbank, CA	--	1,517,833	723	1,517,833	4,073,376	1977	2013	
7110 Rosecrans Ave.	Paramount, CA	--	3,117,894	899	3,117,894	5,910,005	1972 / 2015	2014	
14723-14825 Oxnard St.	Van Nuys, CA	--	4,458,948	1,362	4,458,948	9,768,888	1964 / 1968	2014	
845, 855, 865 S Milliken Ave & 4317, 4319 Santa Ana St.	Ontario, CA	--	2,260,043	251	2,260,043	8,554,232	1985	2014	
1500-1510 W. 228th St.	Torrance, CA	--	2,428,271	3,176	2,428,271	9,875,553	1963 / 1968	2014	
24105 Frampton Ave.	Torrance, CA	--	2,315,553	2,071	2,315,553	5,939,240	1974 / 2016	2014	
1700 Saturn Way	Seal Beach, CA	--	7,936,525	—	7,936,525	18,466,547	2006	2014	
	Burbank, CA	--	6,373,356	396	6,373,356	14,125,413	1950 / 2004	2014	

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2980 & 2990 N San
Fernando Road

20531 Crescent Bay Dr.	Lake Forest, CA	--	2,181,012	415	2,184,27	6,606,47	1998	2014
2610 & 2701 S. Birch Street	Santa Ana, CA	--	9,305,115	4,327	9,305,42	15,751,13	1965 / 2016	2014

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Property Address	Location	Encumbrances	Initial Cost	Building Improvements	Building and Land Improvements	Gross Capitalized Costs Subsequent to Acquisition	Amounts at Which Carried at Close of Period ⁽¹⁾	Total Depreciation ⁽³⁾	Year Renovation	Build /	Year Acquired
710 South Dupont Avenue & 4051 Santa Ana Street	Ontario, CA	--	3,762,145	64	3,762,209	9,939,956	2001			2014	
9755 Distribution Ave.	San Diego, CA	--	1,863,211	092	1,863,319	4,982,112	1974			2014	
9855 Distribution Ave	San Diego, CA	--	2,753,041	61	2,753,102	7,835,571	1983			2014	
9340 Cabot Drive	San Diego, CA	--	4,361,126	537	4,361,663	10,999,943	1975 / 1976			2014	
9404 Cabot Drive	San Diego, CA	--	2,433,351	43	2,433,394	5,905,523	1975 / 1976			2014	
9455 Cabot Drive	San Diego, CA	--	4,463,799	253	4,464,052	11,475,183	1975 / 1976			2014	
14955-14971 E Salt Lake Ave	City of Industry, CA	--	5,125,009	808	5,125,817	10,999,905	1979			2014	
5235 East Hunter Ave.	Anaheim, CA	--	5,230,065	283	5,230,348	10,588,139	1987			2014	
3880 West Valley Blvd.	Pomona, CA	--	3,982,796	3,588	3,986,384	12,366,045	1980			2014	
1601 Alton Pkwy.	Irvine, CA	--	7,633,946	7,128	7,641,074	19,777,26	1974			2014	
3116 W. Avenue 32	Los Angeles, CA	--	3,761,729	1,462	3,763,191	11,999,210	1974			2014	
21040 Nordoff Street; 9035 Independence Avenue; 21019 - 21045 Osborne Street	Chatsworth, CA	--	7,229,058	1,278	7,230,336	17,566,571	1979 / 1980			2014	
24935 & 24955 Avenue Kearny	Santa Clarita, CA	--	4,753,970	693	4,754,663	11,436,098	1988			2014	
605 8th Street	San Fernando, CA	--	2,323,742	1,744	2,325,486	6,879,997	1991 / 2015			2014	
9120 Mason Ave.	Chatsworth, CA	--	9,229,346	2	9,229,348	28,522,493	1967 / 1999			2014	
7900 Nelson Rd.	Los Angeles, CA	--	8,495,948	1,946	8,497,894	26,389,991	1998 / 2015			2014	
679-691 S Anderson St.	Los Angeles, CA	--	1,723,767	1,273	1,725,040	7,763,79	1992			2014	
10509 Business Drive	Fontana, CA	--	3,552,37	497	3,552,867	9,239,22	1989			2014	
13231 Slover Avenue	Fontana, CA	--	2,842,739	562	2,843,301	8,116,49	1990			2014	
240 W Ivy Avenue	Inglewood, CA	--	2,064,675	1,183	2,065,858	6,923,25	1981			2014	
3000 Paseo Mercado,	Oxnard, CA	--	2,686,611	577	2,687,188	11,504,255	1988			2014	
3120-3150 Paseo Mercado	Oxnard, CA	--	1,805,556	375	1,805,931	6,036,90	2003			2014	

1800 Eastman Ave Oxnard, CA -- 842,209 — 842,209 3,054 30 2009 2014

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Property Address	Location	Encumbrances	Initial Cost	Building Improvements	Building and Land Improvements (2)	Gross Capitalized Costs Subsequent to Acquisition (1)	Which Carried at Close of Period	Accumulated Depreciation (3)	Year Build / Year Renovated	Year Acquired
2360-2364 E. Sturgis Road	Oxnard, CA	--	1,128	726	369	1,128	726	369	1989	2014
201 Rice Ave. & 2400-2420 Celsius	Oxnard, CA	--	3,487	589	196	3,487	589	196	2008	2014
11120, 11160, 11200 Hindry Ave	Los Angeles, CA	--	3,478	834	180	3,478	834	180	1992 / 1994	2014
6970-7170 & 7310-7374 Convoy Ct.	San Diego, CA	--	10,885	426	1,154	10,885	426	1,154	1971	2014
12907 Imperial Highway	Santa Fe Springs, CA	--	5,462	678	—	5,462	678	—	1997	2015
8902-8940 Activity Rd	San Diego, CA	--	9,487	103	803	9,487	103	803	1987 / 1997	2015
1210 N Red Gum St	Anaheim, CA	--	3,324	620	111	3,324	620	111	1985	2015
9615 Norwalk Blvd.	Santa Fe Springs, CA	--	8,508	134	510	8,508	134	510	1975	2015
16221 Arthur St.	Cerritos, CA	--	2,979	204	174	2,979	204	174	1979	2015
2588 & 2605 Industry Way	Lynwood, CA	--	8,798	415	—	8,798	415	—	1969 / 1971	2015
425 S. Hacienda Blvd.	City of Industry, CA	--	4,081	050	—	4,081	050	—	1997	2015
6700 S Alameda St.	Huntington Park, CA	--	3,502	279	257	3,502	279	257	1990 / 2008	2015
12720-12860 Danielson Ct.	Poway, CA	--	6,982	249	182	6,982	249	182	1999	2015
10950 Norwalk Blvd & 12241 Lakeland Rd.	Santa Fe Springs, CA	--	3,446	241	84	3,446	241	84	1982	2015
610-760 W Hueneme Rd & 5651-5721 Perkins Rd	Oxnard, CA	--	3,350	806	649	3,350	806	649	1985	2015
10701-10719 Norwalk Blvd.	Santa Fe Springs, CA	--	3,357	527	79	3,357	527	79	2004	2015
6020 Sheila St.	Commerce, CA	--	4,590	772	580	4,590	772	580	2000	2015
9805 6th St.	Rancho Cucamonga, CA	--	3,503	204	784	3,503	204	784	1986	2015
16321 Arrow Hwy.	Irwindale, CA	--	3,087	081	89	3,087	081	89	1955 / 2001	2015
601-605 S. Milliken Ave.	Ontario, CA	--	5,479	036	764	5,479	036	764	1987 / 1988	2015
1065 E. Walnut Ave.	Carson, CA	--	10,038	380	2,364	10,038	380	2,364	1974	2015
12247 Lakeland Rd.	Santa Fe Springs, CA	--	3,487	16	1,159	3,487	16	1,159	1971 / 2016	2015
17311 Nichols Ln.		--	7,988	728	—	7,988	728	—	1993 / 2014	2015

Huntington
Beach, CA

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Property Address	Location	Encumbrances	Initial Cost	Building Improvements	Building and Land Improvements	Gross Capitalized Costs Subsequent to Acquisition	Which Carried at Close of Period ⁽¹⁾	Total Depreciation	Accumulated Depreciation	Year Build / Year Renovated	Year Acquired
8525 Camino Santa Fe	San Diego, CA	--	4,038,055	474	4,038,529	8,567,324	1986			2016	
28454 Livingston Avenue	Valencia, CA	--	5,190,666	—	5,190,666	14,807,616	2007			2016	
20 Icon	Lake Forest, CA	--	12,876,171	30	12,876,201	21,402,200	1999 / 2015			2016	
16425 Gale Avenue	City of Industry, CA	--	18,800,029	103	18,800,132	24,905,914	1976			2016	
2700_2722 Fairview Street	Santa Ana, CA	--	10,549,989	105	10,550,094	16,203,389	1964 / 1984			2016	
12131 Western Avenue	Garden Grove, CA	--	15,017,149	4,063	15,021,212	30,208,333	1987 / 2007			2016	
9 Holland	Irvine, CA	--	13,923,656	65	13,923,721	23,107,855	1980 / 2013			2016	
15996 Jurupa Avenue	Fontana, CA	--	7,852,056	—	7,852,056	19,908,500	2015			2016	
11127 Catawba Avenue	Fontana, CA	--	5,562,094	—	5,562,094	13,605,733	2015			2016	
13550 Stowe Drive	Poway, CA	--	9,186,043	—	9,186,043	17,107,919	1991			2016	
10750-10826 Lower Azusa Road	El Monte, CA	--	4,423,961	835	4,424,796	8,221,265	1975			2016	
525 Park Avenue	San Fernando, CA	--	3,830,887	55	3,830,942	7,770,278	2003			2016	
3233 Mission Oaks Blvd	Camarillo, CA	--	13,701,017	2,226	13,703,243	26,009,233	1980-1982 / 2014			2016	
1600 Orangethorpe & 1335-1375 Acacia	Fullerton, CA	--	26,629,673	3,892	26,633,565	40,204,030	1968 / 1985			2016	
14742-14750 Nelson Avenue	City of Industry, CA	--	13,466,880	5,702	13,472,582	20,845	1969			2016	
3927 Oceanic Drive	Oceanside, CA	--	2,667,581	135	2,667,716	7,380,226	2004			2016	
301-445 Figueroa Street	Wilmington, CA	--	7,136,728	3,055	7,139,783	15,900,322	1972			2016	
12320 4th Street	Rancho Cucamonga, CA	--	12,642,179	—	12,642,179	26,807,416	1997 / 2003			2016	
9190 Activity Road	San Diego, CA	--	8,497,622	380	8,498,002	14,409,331	1986			2016	
28903-28903 Avenue Paine	Valencia, CA	--	10,620,100	1,823	10,621,923	18,953	1999			2017	
2390 Ward Avenue	Simi Valley, CA	--	5,620,045	74	5,620,119	15,703,788	1989			2017	
Safari Business Center ⁽⁵⁾	Ontario, CA	--	50,867,065	186	50,867,251	137,025,885	1989			2017	
4175 Conant Street	Long Beach, CA	--	13,785,440	—	13,785,440	27,205,333	2015			2017	

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Property Address	Location	Encumbrances	Initial Cost		Gross Amounts at Which Carried at Close of Period			Accumulated Depreciation/Year (3)	Renovated	
			Land	Building and Improvements	Building and Improvements	Land (2)	Building & Improvements (2)			Total
5421 Argosy Avenue	Huntington Beach, CA	--	3,577	1,490	—	3,577	1,490	5,067	(66)	1976
14820-14830 Carmenita Road	Norwalk, CA	--	22,938	6,738	65	22,938	6,803	29,741	(206)	1970
3002-3072 Inland Empire Blvd	Ontario, CA	--	12,031	14,439	19	12,031	14,458	26,489	(307)	1981
17000 Kingsview Avenue & 800 Sandhill Avenue	Carson, CA	--	7,988	5,472	10	7,988	5,482	13,470	(119)	1984
2301-2329, 2331-2359, 2361-2399, 2370-2398 & 2332-2366 E. Pacifica Place;	Rancho Dominguez, CA	--	121,329	86,776	180	121,329	86,956	208,285	(1,842)	1989
20001-20021 Rancho Way										
11190 White Birch Drive	Rancho Cucamonga, CA	--	9,405	9,840	—	9,405	9,840	19,245	(217)	1986
4832-4850 Azusa Canyon Road	Irwindale, CA	--	5,330	8,856	—	5,330	8,856	14,186	(170)	2016
1825 Soto Street	Los Angeles, CA	--	2,129	1,315	—	2,129	1,315	3,444	(20)	1993
19402 Susana Road	Rancho Dominguez, CA	--	3,524	357	3	3,524	360	3,884	(9)	1957
13225 Western Avenue	Gardena, CA	--	1,918	355	3	1,918	358	2,276	(7)	1955
15401 Figueroa Street	Los Angeles, CA	--	3,255	1,248	3	3,255	1,251	4,506	(13)	1964
8542 Slauson Avenue	Pico Rivera, CA	--	8,681	576	—	8,681	576	9,257	(8)	1964

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687 Eucalyptus Avenue	Inglewood, CA	--	37,035	15,120	—	37,035	15,120	52,155	(74) 2017
302 Rockefeller Avenue	Ontario, CA	--	6,859	7,185	—	6,859	7,185	14,044	—	2000
4355 Brickell Street	Ontario, CA	--	7,295	5,616	—	7,295	5,616	12,911	—	2004
12622-12632 Monarch Street	Garden Grove, CA	--	11,691	8,290	—	11,691	8,290	19,981	—	1967
8315 Hanan Way	Pico Rivera, CA	--	8,714	4,751	—	8,714	4,751	13,465	—	1976
Investments in real estate			\$2,629	\$1,002,761	\$1,009,064	\$160,965	\$997,588	\$1,164,377	\$2,161,965	\$(173,541)

Note: As of December 31, 2017, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$2.1 billion.

(1) Costs capitalized subsequent to acquisition are net of the write-off of fully depreciated assets and include construction in progress.

During 2009, we recorded impairment charges totaling \$19.6 million in continuing operations (of which \$10.8 million relates to properties still owned by us) to write down our investments in real estate to fair value. Of the \$10.8 million, \$5.2 million is included as a reduction of “Land” in the table above, with the remaining \$5.6 million included as a reduction of “Buildings and Improvements”.

The depreciable life for buildings and improvements ranges from 10-30 years for buildings, 5-20 years for site improvements, and the shorter of the estimated useful life or respective lease term for tenant improvements.

These six properties secure a term loan that had a balance of \$58.9 million as of December 31, 2017.

Includes unamortized discount of \$0.1 million.

Safari Business Park consists of 16 buildings with the following addresses: 1845, 1885, 1901-1957 and 2037-2077 Vineyard Avenue; 1906-1946 and 2048-2058 Cedar Street; 1900-1956, 1901-1907, 1911-1951, 2010-2020 and 2030-2071 Lynx Place; 1810, 1840-1898, 1910-1960 and 2030-2050 Carlos Avenue; 2010-2057 and 2060-2084 Francis Street.

The following table reconciles the historical cost of total real estate held for investment from January 1, 2015 to December 31, 2017 (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Balance, beginning of year	\$1,552,129	\$1,188,766	\$930,462
Acquisition of investment in real estate	649,019	356,336	235,948
Construction costs and improvements	44,451	31,565	22,841
Disposition of investment in real estate	(69,616)	(24,331)	—
Properties held for sale	(13,296)	—	—
Write-off of fully depreciated assets	(722)	(207)	(485)
Balance, end of year	\$2,161,965	\$1,552,129	\$1,188,766

The following table reconciles accumulated depreciation from January 1, 2015 to December 31, 2017 (in thousands):

	Year Ended Year Ended December 31,		
	2017	2016	2015
Balance, beginning of year	\$(135,140)	\$(103,623)	\$(76,884)
Depreciation of investment in real estate	(45,469)	(34,779)	(27,224)
Disposition of investment in real estate	4,737	3,055	—
Properties held for sale	1,609	—	—
Write-off of fully depreciated assets	722	207	485
Balance, end of year	\$(173,541)	\$(135,140)	\$(103,623)