

Rexford Industrial Realty, Inc.
Form 10-K
March 09, 2015

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, 2014

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36008

Rexford Industrial Realty, Inc.

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation or organization)

46-2024407

(I.R.S. Employer Identification No.)

11620 Wilshire Boulevard, Suite 1000,

Los Angeles, California

(Address of principal executive offices)

90025

(Zip Code)

(310) 966-1680

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(Registrant's telephone number, including area code)

N/A

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

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|--------------------------------|---|
| Common Stock, \$0.01 par value | 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 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 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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The 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, 2014 as reported on the New York Stock Exchange ("NYSE") was approximately \$361,065,880. The registrant had no non-voting common equity outstanding on such date. This amount excludes 267,895 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 March 2, 2015 was 55,327,192.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement with respect to its 2015 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,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “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;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust (“REIT”) tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance;
- our failure to complete acquisitions;
- our failure to successfully integrate acquired properties;
- our ability to qualify and maintain our qualification as a REIT;
- litigation, including costs associated with prosecuting or defending pending or threatened claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the 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

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service real estate investment trust (“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. As of December 31, 2014, our consolidated portfolio consisted of 98 properties with approximately 9.8 million rentable square feet. We also own a 15% interest in a joint venture (the “JV”) that indirectly owns one property with approximately 0.5 million square feet, which we also manage. In addition, we currently manage an additional 20 properties with approximately 1.2 million rentable square feet.

On July 24, 2013, we completed our initial public offering (“IPO”), issuing a total of 16,000,000 shares of our common stock in exchange for net proceeds of approximately \$208.5 million after deducting the underwriter’s discount. Concurrently with completion of the IPO, we completed our formation transactions, pursuant to which we acquired certain assets of our predecessor funds in exchange for the assumption or discharge of \$303.3 million in indebtedness, the payment of \$7.2 million in cash, the issuance of 3,697,086 common units of our Operating Partnership and 4,943,225 shares of our common stock. In connection with the formation transactions, we also completed our concurrent private placement, issuing a total of 3,358,311 shares of our common stock in exchange for gross proceeds of \$47.0 million.

On August 21, 2013, we issued an additional 451,972 shares of our common stock for an additional \$5.9 million of net proceeds in connection with the partial exercise of the over-allotment option granted to the underwriters in the IPO.

On August 19, 2014, we completed a public follow-on offering of 17,250,000 shares of our common stock at a price per share of \$13.50. The net proceeds were approximately \$221.8 million, after deducting the underwriting discount and offering costs of approximately \$11.1 million. A portion of the proceeds from this offering were used to repay the outstanding balance of \$137.9 million on our unsecured revolving credit facility at the time of the offering. The remaining proceeds were primarily used to fund acquisitions.

On February 3, 2015, we completed a second public follow-on offering of 11,500,000 shares of our common stock at a price per share of \$16.00. The net proceeds were approximately \$176.4 million, after deducting the underwriting discount and estimated offering costs of approximately \$7.6 million. A portion of the net proceeds from this offering were used to repay the outstanding balance of \$116.0 million under our unsecured revolving credit facility on February 6, 2015.

We 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.

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:

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 source transactions from owners with maturing loans, some facing liquidity needs or financial stress, including loans that lack economical refinancing options. We also seek to transact with lenders that may face a need to divest or resolve underperforming loans in order to meet increased capital and regulatory requirements. Additionally, we also 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 to heavily marketed transactions. 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.

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 systems capacity. 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 diversify our sources of cash flow. Additionally, our proactive approach to leasing and asset management is driven by our in-house team of portfolio and property managers, which maintains direct, day-to-day relationships and dialogue with our tenants, which we believe enhances recurring cash flow and reduces periods of vacancy.

Competitive Strengths

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

Concentration of 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 of supply. We have a portfolio of interests in 99 properties totaling approximately 10.3 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, 2014, we had 1,118 leases, with no single tenant accounting for more than 2.4% of our total annualized rent. Our portfolio is also geographically diversified within the Southern California market across the following submarkets: Los Angeles (54%); San Diego (14%); Orange (13%); San Bernardino (11%); Ventura (8%).

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 these 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, 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, leasing, construction

management and sales, 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 and cash flow of our properties. These activities include converting large underutilized spaces into a series of smaller and more functional spaces, adding additional square footage and modernizing properties by, among other things, modernizing 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 Capital Structure: Our capital structure provides us with significant financial flexibility and the capacity to fund future growth. On December 31, 2014, our net debt to total market capitalization was 32.7%. We have a \$200 million senior unsecured revolving credit facility. As of December 31, 2014 we had \$92.5 million outstanding on this facility, leaving \$107.5 million available. The facility has an accordion feature that may be utilized, subject to the satisfaction of specified conditions and the identification of lenders willing to make available such additional amounts.

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, many of which have greater financial resources or other competitive advantages than we do. We also face significant competition in leasing available properties to prospective tenants and in re-leasing space to existing tenants, including competition from the properties owned by Mr. Schwimmer. See “Certain Relationships and Related Transactions, and Director Independence.”

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 to 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, as owner of 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 one of our properties 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. We usually require Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition of a property. 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, 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.

Insurance

We carry commercial property, liability and terrorism coverage on all the properties in our portfolio under a blanket insurance policy. In addition, we hold environmental policies for properties with known environmental conditions that provides for 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 earthquakes, riots, war and wildfires. Substantially all of our properties are located in areas that are subject to earthquakes and are not currently insured against such an event (either with a blanket policy or individual property policies). We will continue to monitor third-party earthquake insurance pricing and conditions and may consider obtaining third-party coverage if we deem it cost effective.

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

Employees

At December 31, 2014, we had 48 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.”

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.

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 consolidated properties are located in Southern California, which may expose us to greater 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 and other events). Most of our properties are located in areas known to be seismically active. Our properties are not currently insured against earthquakes (either with a blanket policy or individual property policies). Even if we obtain earthquake insurance in the future, the amount of our coverage may not be sufficient to fully cover losses from earthquakes and associated disasters. The Southern California market has experienced downturns within recent years. A further downturn in the Southern California economy could impact our tenants' ability to continue to meet its 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 continues to suffer from severe budgetary constraints and 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, 2014, included the following (and accounted for the percentage of our total annualized rent indicated): Wholesale/Retail (12.9%); Light Manufacturing (9.9%); Warehousing and Storage (9.1%); and Business Services (7.2%). 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 currently contemplated or 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 Internal Revenue Code of 1986, as amended (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 renew leases, lease vacant space or re-lease space as leases expire.

As of December 31, 2014, leases representing 16.6% and 25.8% of the rentable square footage of the properties in our consolidated portfolio will expire in 2015 and 2016 respectively, and an additional 9.3% of the rentable square footage of the properties in our consolidated portfolio was available (taking into account leases signed as of December 31, 2014 that had not yet commenced on that date). 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 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.

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.

We may be unable to source limited marketing deal flow in the future.

As of December 31, 2014, approximately 67% of the acquisitions by deal count completed by us since our 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. We sometimes refer to these transactions as “limited marketing” transactions. Properties that are acquired by limited marketing 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 limited marketing 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 liabilities such as liabilities for clean-up of undisclosed 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 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.

Our unsecured revolving credit facility and term loans 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 revolving credit facility and term loan 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.

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. During the year ended December 31, 2014, we executed four forward interest rate swaps to mitigate our exposure to fluctuation in short-term interest rates. Two of the swaps each have a notional value of \$30.0 million, and will effectively fix the interest rate on our \$60.0 million term loan as follows: (i) \$30.0 million at 3.726% from January 15, 2015 to February 15, 2019, and (ii) \$30.0 million at 3.91% for the period from July 15, 2015 to February 15, 2019. The other two swaps each have a notional value of \$50.0 million, and will effectively fix the interest rate on our \$100.0 million term loan as follows: (i) \$50.0 million at 1.79% 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. 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, or 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 forward 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 revolving credit facility and term loans will restrict our ability to engage in some business activities.

Our revolving credit facility 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 revolving credit facility and 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.

During February 2015, our unsecured revolving credit facility and unsecured term loan were assigned an investment grade rating of BBB- by Fitch Ratings. 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 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.

We are subject to pending civil litigation regarding our formation transactions and initial public offering, which if decided against us, could require us to pay substantial judgments or settlements and incur expenses that could 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.

In addition to being subject to litigation in the ordinary course of business, on October 3, 2013, one putative class action purportedly brought on behalf of the pre-IPO investors in Rexford Industrial Fund III (“RIF III”) was filed in the Los Angeles County Superior Court. On February 14, 2014, the plaintiffs filed an amended complaint adding an additional individual pre-IPO investor and putative claims on behalf of investors in Rexford Industrial Fund IV, LLC (“RIF IV”). The plaintiffs assert claims against the Company, RIF III, RIF IV, RILLC (as defined below) and Messrs. Schwimmer, Frankel and Ziman for breach of fiduciary duty, violation of certain California securities laws, negligent misrepresentation, and fraud. Plaintiffs allege, among other things, that the terms of the formation transactions were unfair to investors in RIF III and RIF IV, that the consideration received by investors in RIF

III and RIF IV in the formation transactions was inadequate, that the Management Companies (as defined below) were allocated unfair value in the formation transactions and that the disclosure documents related to the formation transactions were materially misleading. On July 15, 2014, a Second Amended Complaint was filed withdrawing the class action allegations and the allegations concerning communication of the Accommodation (as defined and discussed below), and adding four additional plaintiff investors. During the third quarter of 2014, the Company entered into settlement agreements with three of these four additional plaintiffs. The aggregate amounts paid by the Company in these settlements was not material. Plaintiffs assert claims against the Company, RIF III, RIF IV, Rexford Industrial, LLC and Messrs. Schwimmer, Frankel and Ziman for breach of fiduciary duty, violation of certain California securities laws, negligent misrepresentation, and fraud. Plaintiffs allege, among other things, that the terms of the Company's formation transactions were unfair to investors in RIF III and RIF IV, that the consideration received by investors in RIF III and RIF IV in the formation transactions was inadequate, that the pre-IPO management companies were allocated unfair value in the formation transactions and that the disclosure documents related to the formation transactions were materially misleading. Plaintiffs also request to inspect the books and records of RIF III and RIF IV, which entities no longer exist, and further seek declaratory relief, unspecified recessionary damages, disgorgement, compensatory, punitive and exemplary damages, an accounting for unjust enrichment, and an award of costs including pre-judgment interest, attorneys' and experts' fees, and other unspecified relief. Defendants have answered the Second Amended Complaint denying all allegations and asserting affirmative defenses. Defendants have also filed a motion to dismiss the case for forum non conveniens or, in the alternative, to compel judicial reference, which the plaintiffs oppose. Defendants' motion is pending before the court. We expect to incur costs associated with defending the action. At this early stage of the litigation, the ultimate outcome of the action is uncertain and we cannot reasonably assess the timing or outcome, or estimate the amount of loss, if any, or its effect, if any, on our financial statements.

Additionally, it is possible that other investors, including those that did not participate in the Accommodation, may assert claims similar to, or derivative from, the claims described above. If we are found to be liable with respect to any of these investor claims, we may incur liabilities that are material to our financial condition and operating results.

A global financial crisis, high structural unemployment, and other events or circumstances beyond the control of the Company may adversely affect its industry, business, results of operations, contractual commitments, and access to capital.

What began initially in 2007 and 2008 as a "subprime" mortgage crisis turned into an extraordinary U.S. and worldwide structural economic and financial crisis coupled with the rapid decline of the consumer economy. From 2008 through 2010, significant concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, and a declining real estate market in the U.S. contributed to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. These factors, combined with volatile oil prices and fluctuating business and consumer confidence, precipitated a steep economic decline. From 2011 through 2014, the economy showed signs of improvement, but recovery has been slow and volatile. Further, severe financial and structural strains on the banking and financial systems have led to significant lack of trust and confidence in the global credit and financial system. Consumers and money managers have liquidated and may liquidate equity investments, and consumers and banks have held and may hold cash and other lower-risk investments, resulting in significant and, in some cases, catastrophic declines in the equity capitalization of companies and failures of financial institutions. Although U.S. bank earnings and liquidity are on the rebound, the potential of significant future bank credit losses creates uncertainty for the lending outlook. Additionally, job growth remains sluggish, and sustained high unemployment can further hinder economic growth.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on us.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, such as the dislocations in the credit markets and general global economic downturn caused by the financial crisis of 2008. These conditions, or similar conditions existing in the future, 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;
- 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; and

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one or more lenders under our proposed revolving credit facility or our new term loan could refuse to fund their financing commitments to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

In addition, the recent economic downturn adversely affected, and may continue to 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.

Recent financial and economic trouble in emerging-market economies may adversely impact the U.S. and global economies.

Since the beginning of 2014, several emerging-market economies, including Argentina, Venezuela, Ukraine, Hungary, and Thailand are experiencing severe economic and political turmoil. Other emerging economies, including India, Indonesia, Brazil, Turkey, and South Africa are also reporting significant economic issues including fiscal deficits, falling growth rates, above target-inflation and political uncertainty from upcoming legislative and/or presidential elections. It is not possible to predict whether this economic and political turmoil might negatively impact the developed economies around the world, including the U.S. If these macro-economic and political issues are not managed appropriately, they could lead to currency, sovereign debt or banking crises and other financial turmoil and uncertainty.

Failure of the U.S. federal government to manage its fiscal matters or to raise or further suspend the debt ceiling, and changes in the amount of federal debt, may negatively impact the economic environment and adversely impact our results of operations.

The Budget Control Act of 2011 provides for a reduction of \$1.1 trillion of U.S. federal government discretionary spending over the next decade through a series of automatic across-the-board spending cuts known as sequestration. Although the American Taxpayer Relief Act of 2012, which was enacted on January 2, 2013, delayed the effective date of sequestration to provide an additional opportunity for the U.S. Congress and the President to agree on alternative deficit reduction options, sequestration went into effect on March 1, 2013, and will remain in effect in the absence of further legislative action.

The U.S. federal government has established a limit on the level of federal debt that the U.S. federal government can have outstanding, often referred to as the debt ceiling. U.S. federal debt is expected to reach the current debt ceiling in the coming months. The U.S. Congress has authority to raise the debt ceiling, and has done so in the past. For example, in 2011, the U.S. Congress raised the debt ceiling by enacting the Budget Control Act of 2011, resulting in sequestration and the lowering of the credit rating of the U.S. federal government. More recently, the U.S. Congress temporarily increased the debt ceiling following a partial shutdown of the U.S. federal government in October 2013. Absent an increase in, or suspensions to, the debt ceiling in 2015, the U.S. federal government may partially shut down again and/or default on its existing loans as a result of reaching the debt ceiling.

An inability of the U.S. federal government to manage its fiscal matters, reduce the duration and scope of sequestration, 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.

The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact us.

Recent U.S. debt ceiling and budget deficit concerns, together with sovereign debt conditions in Europe, have increased the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. Although U.S. lawmakers had passed legislation to raise the federal debt ceiling, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from "AAA" to "AA+" in August 2011. The impact of this or any further downgrades to the U.S. government's sovereign credit rating, or its perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. In addition, certain European nations have recently experienced varying degrees of financial stress, including Greece, Ireland, Italy, Portugal, and Spain. Despite assistance packages to Greece, Ireland, Portugal, and Spain, and the creation of the European Financial Stability Facility and the European Financial Stabilization Mechanism, we do not know whether the recent sovereign financial difficulties within the European Union governments will reemerge with a higher degree of negative impact to the financial markets. Market concerns over the direct and indirect exposure of European banks and insurers to these European Union peripheral nations have resulted in a widening of credit spreads and increased costs of funding for some European financial institutions. There can be no assurance that government or other measures to aid economic recovery will be effective. These developments, and the U.S. government's credit concerns in general, could cause interest rates and borrowing costs to rise, which may

negatively impact our ability to access the debt markets on favorable terms. In addition, the lowered credit rating could create broader financial turmoil and uncertainty, which may exert downward pressure on the market price of our common stock.

Monetary policy actions by the Federal Reserve could adversely impact our financial condition and our ability to make distributions to our stockholders.

In recent years, various monetary policies undertaken by the Federal Reserve have involved quantitative easing, which involves open market transactions by monetary authorities to stimulate economic activity through the purchase of assets with longer maturities than short-term government bonds. Among other things, quantitative easing is intended to create or maintain a low-interest-rate environment and to stimulate economic activity.

The Federal Reserve commenced the so-called “tapering” of quantitative easing in January 2014 and may cease quantitative easing entirely in 2014. As a result, market interest rates have risen and may continue to rise. 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 recent 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. These initiatives have 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 recent 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.

Although we have not been as directly affected by the wave of new legislation and regulation as banks and investment banks, we may also be adversely affected by new or amended laws or regulations; by changes in federal, state, or foreign tax laws and regulations; and by changes in the interpretation or enforcement of existing laws and regulations. In the U.S., the financial crisis and continuing economic slowdown prompted a variety of legislative, regulatory, and accounting profession responses.

The federal legislative response culminated in the enactment on July 21, 2010, of Dodd-Frank. Dodd-Frank contains far-reaching provisions that substantially revise, or provide for the revision of, longstanding, fundamental rules governing the banking and investment banking industries, and provide for the broad restructuring of the regulatory authorities in these areas. Dodd-Frank has resulted in, and is expected to continue to result in, profound changes in the ground rules for financial business activities in the U.S.

To a large degree, the impacts of the legislative, regulatory, and accounting reforms to date are still not clear. Many of the provisions of Dodd-Frank have extended implementation periods and delayed effective dates and will require extensive rule making by regulatory authorities. 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 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 released a final report on its IFRS work plan, which indicates the SEC still needs to analyze and consider 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.

Changes in financial accounting standards related to accounting for leases may adversely impact us.

The regulatory boards and government agencies which determine financial accounting standards and disclosures in the U.S., including the FASB and the IASB (collectively, the “Boards”) and the SEC, continually change and update the financial accounting standards we must follow. Currently, the Boards are considering, among other items, proposed changes to the accounting standards for leases for both lessees and lessors.

These proposals may or may not ultimately be implemented by the Boards. If some or all of the current proposals were to become final standards, our balance sheet, results of operations, or market price of common stock could be significantly impacted. Such potential impacts include, without limitation:

- Significant changes to our balance sheet relating to the recognition of operating leases as assets or liabilities based on existing lease terms and whether we are the lessor or lessee;
- Significant fluctuations in our reported results of operations, including fluctuations in our expenses related to amortization of new lease-related assets and/or liabilities and assumed interest costs with leases; and

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Changes in lease accounting standards could also potentially impact the structure and terms of future leases since our tenants may seek to limit lease terms to avoid recognizing lease obligations on their financial statements.

We have a limited operating history as a publicly traded company and may not be able to successfully operate our business or generate sufficient cash flows to make or sustain distributions to our stockholders as a publicly traded company or maintain our qualification as a REIT.

We were organized in January 2013 and have only a limited operating history as a public company following our July 24, 2013 IPO. We may not be able to successfully operate our business or implement our operating policies and investment strategy.

Furthermore, we may not be able to generate sufficient operating cash flows to pay our operating expenses, service any debt we may incur in the future and make distributions to our stockholders. As a newly formed company, we are subject to the risks of any newly established business enterprise, including risks that we will be unable to attract and retain qualified personnel, create effective operating and financial controls and systems or effectively manage our anticipated growth, any of which could have a material adverse effect on our business and our operating results.

We cannot assure you that the business and operations of our predecessor and the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC, and comply with the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”). We are required to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT, to satisfy our periodic and current reporting requirements under applicable SEC regulations, to comply with the requirements of Sarbanes-Oxley and to comply with New York Stock Exchange (“NYSE”) listing standards. This transition could place a significant strain on our management systems, infrastructure and other resources. Furthermore, we may not be able to generate sufficient cash flows to pay our operating expenses, service any debt we may incur in the future and make distributions to our stockholders. Our ability to successfully operate our business and implement our operating policies and investment strategy will depend on many factors, including:

- the availability of, and our ability to identify, attractive acquisition opportunities consistent with our investment strategy;
- our ability to contain renovation, maintenance, marketing and other operating costs for our properties;
- our ability to maintain high occupancy rates and target rent levels;
- costs that are beyond our control, including title litigation, litigation with tenants, legal compliance, real estate taxes and insurance;
- interest rate levels and volatility, such as the accessibility of short- and long-term financing on desirable terms; and
- economic conditions in our target markets as well as the condition of the financial and real estate markets and the economy generally.

Although we are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”) and therefore may utilize various exemptions to public reporting requirements, we are still required to implement substantial control systems and procedures in order to maintain our qualification as a REIT, satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with Sarbanes-Oxley, Dodd Frank, and NYSE or other relevant listing standards. As a result, we have incurred and will continue to incur significant legal, accounting and other expenses that our predecessor did not incur because it operated privately, exempt from most of these regulations. We will cease to be an “emerging growth company” if we are deemed to be a “large accelerated filer” under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates, or “public float,” exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter. Based on recent trading prices for our common stock, it is possible that we will become a “large accelerated filer,” and therefore cease to be an “emerging growth company,” during fiscal 2015. Our costs are likely to increase after

we are no longer an “emerging growth company,” and our management and other personnel will need to continue to devote a substantial amount of time to comply with these rules and regulations and maintain the corporate infrastructure and control systems and procedures demanded of a publicly traded REIT. These costs and time commitments could be substantially more than we currently expect.

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 and re-development activities are subject to risks particular to development and re-development.

We may engage in development and redevelopment 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 and redevelopment activities:

- unsuccessful development or redevelopment opportunities could result in direct expenses to us;
- construction or redevelopment 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 or redevelopment 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;
- 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 or redeveloped 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 or redevelopment 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. Ziman, Schwimmer and Frankel, 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. Ziman, Schwimmer and Frankel, 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 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. We do not carry insurance for certain types of extraordinary losses, such as loss from earthquakes, 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 riots, war, earthquakes, wildfires and other uninsured losses.

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.

Substantially all of the properties in our portfolio are located in areas that are prone to earthquake activity and we are not insured against such an event.

Substantially all of the properties in our portfolio are located in Southern California, an area that is particularly prone to seismic activity. 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.

We do not currently carry insurance for losses resulting from earthquakes because we do not believe appropriate coverage is available at a cost commensurate with the loss risk. We will continue to monitor third-party earthquake insurance pricing and conditions and may consider obtaining third-party coverage in the future if we deem it cost effective. However, until such time as we obtain such coverage, we would be required to bear all losses, including loss of invested capital and anticipated future cash flows, occurring at these properties as a result of an earthquake

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 currently co-invest, and may co-invest 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.

We currently hold a 15% interest in the JV that indirectly owns one property located in Ventura County, California. In addition to the general risks described above with respect to joint ventures, specifically with respect to the JV, at any time that less than two of Messrs. Ziman, Schwimmer and Frankel remain as executive officers with involvement in the day-to-day operations of our company and its subsidiaries, our joint venture partner may have the ability to remove us as a co-manager of the JV, offset against distributions to which we would otherwise be entitled, and/or force the sale of our 15% interest in the JV to our joint venture partner.

If we fail to implement and maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

As a publicly traded Company, we are required to comply with the applicable provisions of Sarbanes-Oxley, which requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting and effective disclosure controls and procedures for making required filings with the SEC. Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed, potentially irreparably.

The process for designing and implementing an effective system of integrated internal controls is a continuous effort that requires significant resources and devotion of time. As part of the ongoing monitoring of internal controls required of publicly traded companies, we may discover material weaknesses in our internal controls. As a result of weaknesses that may be identified in our internal controls, we may also identify certain deficiencies in some of our disclosure controls and procedures that we believe require remediation. If we discover weaknesses, we will make efforts to improve our internal and disclosure controls. However, there is no assurance that we will be successful. In addition, our independent registered public accounting firm will not be required to formally attest to the effectiveness

of our internal control over financial reporting until the date we are no longer an “emerging growth company,” which may be up to a full five fiscal years following the IPO.

Any failure to maintain effective controls or timely effect any necessary improvement of our internal and disclosure controls could harm operating results or cause us to fail to meet our reporting obligations, which could affect our ability to remain listed with the NYSE. Ineffective internal and disclosure controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock.

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 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 deduction for dividends paid), 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 recent 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 and fund other cash requirements. We have an aggressive growth plan ahead, and 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.

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.

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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 forego 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 in recent years have been unpredictable and varied greatly, creating uncertainty and in some cases severely impacted the lending and capital markets, particularly for real estate. The capital markets have witnessed significant adverse conditions in recent years, including a substantial reduction in the availability of, and access to, capital. Often the risk premium demanded by lenders has increased markedly, and underwriting standards have generally tightened. In addition, failures and consolidations of certain financial institutions have decreased the number of potential lenders, resulting in reduced lending sources available to the market. These conditions may limit the amount of indebtedness 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. Additionally, the limited amount of financing currently available may reduce the value of our properties and limit our ability to borrow against such properties.

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

We have acquired, and may continue to acquire, 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 American Society for Testing and Materials (ASTM) procedures in Phase I environmental studies, which we obtain on all property acquisitions. 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. 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. In connection with certain financing transactions our lenders have commissioned independent environmental consultants to conduct Phase I environmental site assessments on certain of the properties in our initial portfolio. However, we have not always received copies of the Phase I environmental site assessment reports commissioned by our lenders and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our initial portfolio. In addition, 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, overreported, 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. A number of BBA member banks have entered into settlements with a number of their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations have been instigated by regulators and government authorities in various jurisdictions. Other member banks may also enter into such settlements with, or have proceedings brought by, their regulators or law enforcement agencies in the future. If manipulation of LIBOR occurred, it may have resulted in LIBOR having been artificially lower (or higher) than it would otherwise have been. Any such manipulation could have occurred over a substantial period of time.

On September 28, 2012, British regulators published a report on the review of LIBOR. The report concluded that LIBOR should be retained as a benchmark, but recommended a comprehensive reform of LIBOR, including replacing the BBA with a new independent administrator of LIBOR. Based on this report, final 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”). In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts-of-interest policy and appropriate systems and controls. On July 9, 2013, it was reported that NYSE Euronext had been awarded the contract to administer LIBOR beginning in 2014. 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 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 thereof 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) 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;

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- 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, 2021), 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, 2014 we own 94.9% 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.

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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 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;
- we also could be subject to the federal alternative minimum tax 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.

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 the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2014 our consolidated portfolio consists of 98 wholly-owned properties located in Southern California infill markets totaling approximately 9.8 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, 2014.

| 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 ⁽³⁾ | Annualized Base Rent ⁽⁴⁾ | Percentage of Total Annualized Rent ⁽⁵⁾ | Total Annualized Rent per Square Foot ⁽⁶⁾ |
|--|-------------|---------------------|---------------------------------|---------------------------------------|----------------------|---|------------------|--------------------------|-------------------------------------|--|--|
| Los Angeles - Greater San Fernando Valley | | | | | | | | | | | |
| 901 W. Alameda Ave. | Burbank | 1 | Light Industrial / Office | 1969 / 2009 | 44,924 | 0.5 % | 3 | 89.5 % | \$1,247,185 | 1.7 % | \$31.03 |
| 10635 Vanowen St. | Burbank | 1 | Warehouse / Light Manufacturing | 1977 | 31,037 | 0.3 % | 4 | 100.0% | 254,621 | 0.3 % | 8.20 |
| 2980 & 2990 N San Fernando Road | Burbank | 2 | Warehouse / Light Manufacturing | 1950 / 2004 | 130,800 | 1.3 % | 1 | 100.0% | 1,161,504 | 1.6 % | 8.88 |
| 9120 Mason Ave. | Chatsworth | 1 | Warehouse / Distribution | 1967 / 1999 | 319,348 | 3.2 % | 1 | 100.0% | 1,801,123 | 2.4 % | 5.64 |
| 21040 Nordoff Street; 9035 Independence Avenue; 21019 - 21045 Osborne Street | Chatsworth | 7 | Warehouse / Distribution | 1979 / 1980 | 153,212 | 1.6 % | 9 | 100.0% | 1,091,597 | 1.5 % | 7.12 |
| 700 Allen Ave., 1840 Dana St., & 1830 Flower St. | Glendale | 3 | Light Industrial / Office | 1949, 1961 / 2011-2012 | 38,665 | 0.4 % | 1 | 65.1 % | 715,476 | 1.0 % | 28.43 |
| 3350 Tyburn St., 3332, 3334, 3360, 3368, 3370, 3378, 3380, | Los Angeles | 8 | Warehouse / Distribution | 1966, 1992, 1993, 1994 | 473,345 | 4.8 % | 28 | 100.0% | 4,556,825 | 6.1 % | 9.63 |

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3410, 3424 N.
San Fernando
Rd.

| | | | | | | | | | | | |
|--|---------------|---|---------------------------------|-------------------|---------|-------|----|--------|-----------|-------|-------|
| 3116 W. Avenue 32 | Los Angeles | 1 | Warehouse / Distribution | 1974 | 100,500 | 1.0 % | 2 | 100.0% | 702,494 | 0.9 % | 6.99 |
| 7900 Nelson Rd. | Los Angeles | 1 | Warehouse / Distribution | 1998 | 203,082 | 2.1 % | 0 | 0.0 % | - | 0.0 % | - |
| 121-125 N. Vinedo Ave. | Pasadena | 1 | Warehouse / Light Manufacturing | 1953 / 1993 | 48,381 | 0.5 % | 1 | 100.0% | 548,641 | 0.7 % | 11.34 |
| 89-91 N. San Gabriel Blvd., 2670-2674 Walnut Ave., 2675 Nina St. | Pasadena | 5 | Light Manufacturing / Flex | 1947, 1985 / 2009 | 31,619 | 0.3 % | 4 | 100.0% | 569,149 | 0.8 % | 18.00 |
| 1050 Arroyo Ave. | San Fernando | 1 | Warehouse / Light Manufacturing | 1969 / 2012 | 76,993 | 0.8 % | 1 | 100.0% | 558,704 | 0.8 % | 7.26 |
| 605 8th Street | San Fernando | 1 | Warehouse / Distribution | 1991 | 55,516 | 0.6 % | 1 | 64.7 % | 180,000 | 0.2 % | 5.01 |
| 24935 & 24955 Avenue Kearny | Santa Clarita | 2 | Warehouse / Distribution | 1988 | 138,980 | 1.4 % | 2 | 100.0% | 917,891 | 1.2 % | 6.60 |
| 2950 Madera Rd. | Simi Valley | 1 | Warehouse / Distribution | 1988 / 2005 | 136,065 | 1.4 % | 1 | 100.0% | 800,062 | 1.1 % | 5.88 |
| 21-29 West Easy St. | Simi Valley | 5 | Warehouse / Light Manufacturing | 1991 / 2006 | 102,484 | 1.0 % | 12 | 69.6 % | 719,041 | 1.0 % | 10.07 |
| 15140 & 15148 Bledsoe St., 13065 - 13081 Bradley Ave. | Sylmar | 2 | Warehouse / Light Manufacturing | 1969, 2008 / 2006 | 138,474 | 1.4 % | 8 | 100.0% | 1,086,094 | 1.5 % | 7.84 |
| 18310-18330 Oxnard St. | Tarzana | 2 | Warehouse / Light Manufacturing | 1973 | 75,288 | 0.8 % | 23 | 98.4 % | 827,177 | 1.1 % | 11.16 |
| 28340 - 28400 Avenue Crocker | Valencia | 1 | Warehouse / Light Manufacturing | 1987 / 2006 | 90,722 | 0.9 % | 1 | 22.5 % | 137,894 | 0.2 % | 6.76 |
| 28159 Avenue Stanford | Valencia | 1 | Light Industrial / Office | 1987 / 2008 | 79,701 | 0.8 % | 9 | 55.3 % | 583,365 | 0.8 % | 13.24 |
| 15041 Calvert St. | Van Nuys | 1 | Warehouse / Light Manufacturing | 1971 | 81,282 | 0.8 % | 1 | 100.0% | 487,692 | 0.7 % | 6.00 |
| 14723-14825 Oxnard St. | Van Nuys | 6 | Warehouse / Light Manufacturing | 1964 / 1968 | 78,000 | 0.8 % | 67 | 100.0% | 906,557 | 1.2 % | 11.62 |
| 8101-8117 Orion Ave. | Van Nuys | 1 | Warehouse / Light Manufacturing | 1978 | 48,394 | 0.5 % | 25 | 100.0% | 604,338 | 0.8 % | 12.49 |
| | Van Nuys | 2 | | | 29,544 | 0.3 % | 2 | 100.0% | 239,321 | 0.3 % | 8.10 |

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|--|---------------------------------------|---------------------|-----------|-------|-----|-------|--------------|-------|------|
| 6701 & 6711 Odessa Ave. | Warehouse / Light Manufacturing | 1970-1972 / 2012 | | | | | | | |
| Los Angeles - Greater San Fernando Valley Total | 57 | | 2,706,356 | 27.5% | 207 | 86.0% | \$20,696,751 | 27.9% | 8.89 |

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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 ⁽⁴⁾ | Percentage of Total Annualized Rent ⁽⁵⁾ | Total Annualized Rent per Square Foot ⁽⁶⁾ |
|---|------------------|---------------------|---------------------------------|---------------------------------------|----------------------|---|------------------|-----------|-------------------------------------|--|--|
| Los Angeles - San Gabriel Valley 15241 - 15277, 15317 - 15339 Don Julian Rd. | City of Industry | 2 | Warehouse / Distribution | 1965, 2005 / 2003 | 241,248 | 2.5 % | 14 | 100.0 % | 2,112,364 | 2.9 % | 8.76 |
| 14955-14971 E Salt Lake Ave | City of Industry | 1 | Warehouse / Light Manufacturing | 1979 | 126,036 | 1.3 % | 3 | 64.4 % | 545,267 | 0.7 % | 6.72 |
| 15715 Arrow Highway 15705, 15709 Arrow Highway & 5220 Fourth St. | Irwindale | 1 | Light Manufacturing / Flex | 1989 | 76,000 | 0.8 % | 1 | 100.0 % | 987,178 | 1.3 % | 12.99 |
| 14250-14278 Valley Blvd. | Irwindale | 3 | Warehouse / Light Manufacturing | 1987 | 69,592 | 0.7 % | 39 | 94.1 % | 699,422 | 0.9 % | 10.68 |
| 13914-13932 Valley Blvd. | La Puente | 8 | Warehouse / Light Manufacturing | 1974 / 2007 | 99,735 | 1.0 % | 27 | 100.0 % | 867,508 | 1.2 % | 8.70 |
| 1400 South Shamrock 2743 Thompson Creek Rd. | La Puente | 2 | Warehouse / Light Manufacturing | 1978, 1988 / 2012 | 58,084 | 0.6 % | 27 | 97.0 % | 474,819 | 0.6 % | 8.43 |
| 280 W. Bonita Ave. | Monrovia | 1 | Light Manufacturing / Flex | 1957, 1962 / 2004 | 67,838 | 0.7 % | 1 | 100.0 % | 882,270 | 1.2 % | 13.01 |
| 3880 West Valley Blvd. | Pomona | 1 | Warehouse / Distribution | 1983 | 245,961 | 2.5 % | 1 | 100.0 % | 1,092,067 | 1.5 % | 4.44 |
| Los Angeles - San Gabriel Valley Total | Pomona | 1 | Warehouse / Distribution | 1983 | 119,898 | 1.2 % | 1 | 100.0 % | 532,347 | 0.7 % | 4.44 |
| Los Angeles - Central | Pomona | 1 | Warehouse / Light Manufacturing | 1980 | 108,703 | 1.1 % | 1 | 100.0 % | 727,065 | 1.0 % | 6.69 |
| | | 21 | | | 1,213,095 | 12.4 % | 115 | 95.8 % | \$8,920,307 | 12.0 % | 7.67 |
| | | 1 | | 1992 | 47,490 | 0.5 % | 2 | 100.0 % | \$299,681 | 0.4 % | 6.31 |

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|---|------------------|---|---------------------------------|------------------------|---------|-------|----|--------|-------------|-------|-------|--|
| 679-691 S Anderson St. | Los Angeles | | Warehouse / Distribution | | | | | | | | | |
| 1938-1946 E. 46th St. | Vernon | 3 | Warehouse / Light Manufacturing | 1961, 1983 / 2008-2010 | 190,663 | 1.9 % | 3 | 100.0% | 1,302,305 | 1.8 % | 6.83 | |
| Los Angeles - Central Total | | 4 | | | 238,153 | 2.4 % | 5 | 100.0% | \$1,601,986 | 2.2 % | 6.73 | |
| Los Angeles - Mid-Counties | | | | | | | | | | | | |
| 9220-9268 Hall Rd. | Downey | 1 | Warehouse / Light Manufacturing | 2008 | 176,405 | 1.8 % | 42 | 100.0% | 1,399,001 | 1.9 % | 7.93 | |
| 9641 - 9657 Santa Fe Springs Rd. | Santa Fe Springs | 3 | Warehouse / Distribution | 1982 / 2009 | 106,995 | 1.1 % | 4 | 100.0% | 848,310 | 1.2 % | 7.93 | |
| 14944, 14946, 14948 Shoemaker Ave. | Santa Fe Springs | 3 | Warehouse / Light Manufacturing | 1978 / 2012 | 85,950 | 0.9 % | 23 | 100.0% | 694,152 | 0.9 % | 8.08 | |
| 12910 East Mulberry Dr. | Whittier | 1 | Warehouse / Distribution | 1962 / 2009 | 153,080 | 1.6 % | 2 | 100.0% | 890,810 | 1.2 % | 5.82 | |
| Los Angeles - Mid-Counties Total | | 8 | | | 522,430 | 5.4 % | 71 | 100.0% | \$3,832,273 | 5.2 % | 7.34 | |
| Los Angeles - South Bay | | | | | | | | | | | | |
| 18118-18120 S. Broadway | Carson | 3 | Warehouse / Distribution | 1957 / 1989 | 78,183 | 0.8 % | 5 | 100.0% | 538,881 | 0.7 % | 6.89 | |
| 311, 319, 329 & 333 157th St. | Gardena | 4 | Warehouse / Light Manufacturing | 1960-1971 / 2006-2011 | 60,000 | 0.6 % | 7 | 100.0% | 472,800 | 0.6 % | 7.88 | |
| 240 W Ivy Avenue | Inglewood | 1 | Warehouse / Distribution | 1981 | 45,685 | 0.5 % | 6 | 100.0% | 424,357 | 0.6 % | 9.29 | |
| 6010 Paramount Ave., 2708 Seaboard Lane | Long Beach | 1 | Warehouse / Light Manufacturing | 1981-1982 | 16,534 | 0.2 % | 2 | 100.0% | 137,506 | 0.2 % | 8.32 | |
| 1661 240th St. | Los Angeles | 1 | Warehouse / Distribution | 1975 / 1995 | 96,616 | 1.0 % | 1 | 100.0% | 614,478 | 0.8 % | 6.36 | |
| 11120, 11160, 11200 Hindry Ave | Los Angeles | 3 | Warehouse / Distribution | 1992 / 1994 | 63,654 | 0.6 % | 11 | 87.3 % | 720,186 | 1.0 % | 12.95 | |
| 6423-6431 & 6407-6119 Alondra Blvd. | Paramount | 2 | Warehouse / Light Manufacturing | 1986 | 30,224 | 0.3 % | 10 | 100.0% | 248,844 | 0.3 % | 8.23 | |
| 7110 Rosecrans Ave. | Paramount | 1 | Warehouse / Light Manufacturing | 1972 | 72,000 | 0.7 % | 1 | 50.0 % | 254,880 | 0.4 % | 7.08 | |

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|-------------------------------------|----------|----|---------------------------------------|-------------|---------|-------|----|---------|-------------|-------|-------|
| 20920-20950 Normandie Ave. | Torrance | 2 | Warehouse / Light Manufacturing | 1989 | 49,519 | 0.5 % | 28 | 100.0 % | 542,761 | 0.7 % | 10.96 |
| 24105 Frampton Ave. | Torrance | 1 | Warehouse / Light Manufacturing | 1974 | 47,903 | 0.5 % | 1 | 100.0 % | 287,333 | 0.4 % | 6.00 |
| 1500-1510 W. 228th St. | Torrance | 8 | Warehouse / Light Manufacturing | 1963 / 1968 | 88,330 | 0.9 % | 7 | 81.9 % | 436,465 | 0.6 % | 6.03 |
| Los Angeles - South Bay Total | | 27 | | | 648,648 | 6.6 % | 79 | 90.7 % | \$4,678,491 | 6.3 % | 7.95 |
| 34 | | | | | | | | | | | |

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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 ⁽⁴⁾ | Percentage of Total Annual Rent ⁽⁵⁾ | Base Rent per Square Foot ⁽⁶⁾ | Total Annualized Rent |
|--|-------------|---------------------|---------------------------------|---------------------------------------|----------------------|---|------------------|-----------|-------------------------------------|--|--|-----------------------|
| Orange County - North | | | | | | | | | | | | |
| 1100-1170 Gilbert St. & 2353-2373 La Palma Ave. | Anaheim | 6 | Warehouse / Light Manufacturing | 1972 / 1990 / 2013 | 120,313 | 1.2% | 23 | 100.0% | 1,209,438 | 1.6% | 10.05 | |
| 1631 N. Placentia Ave., 2350 - 2384 E. Orangethorpe Ave. | Anaheim | 2 | Warehouse / Light Manufacturing | 1973 / 2007 | 62,395 | 0.6% | 30 | 92.1 % | 673,540 | 0.9% | 11.72 | |
| 5235 East Hunter Ave. | Anaheim | 1 | Warehouse / Light Manufacturing | 1987 | 119,692 | 1.2% | 3 | 100.0% | 848,544 | 1.2% | 7.09 | |
| 2300-2386 East Walnut Ave. | Fullerton | 3 | Warehouse / Distribution | 1985-1986 / 2005 | 161,286 | 1.7% | 14 | 100.0% | 1,218,863 | 1.6% | 7.56 | |
| 22343-22349 La Palma Ave. | Yorba Linda | 4 | Warehouse / Light Manufacturing | 1988 | 115,760 | 1.2% | 52 | 82.2 % | 1,085,958 | 1.5% | 11.42 | |
| Orange County - North Total | | 16 | | | 579,446 | 5.9% | 122 | 95.6 % | \$5,036,343 | 6.8% | 9.09 | |
| Orange County - West | | | | | | | | | | | | |
| 1700 Saturn Way | Seal Beach | 1 | Warehouse / Light Manufacturing | 2006 | 170,865 | 1.7% | 1 | 100.0% | 1,307,682 | 1.8% | 7.65 | |
| Orange County - South | | | | | | | | | | | | |
| 20531 Crescent Bay Dr. | Lake Forest | 1 | Warehouse / Light Manufacturing | 1998 | 46,178 | 0.5% | 1 | 100.0% | 371,271 | 0.5% | 8.04 | |
| Orange County - | | | | | | | | | | | | |

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Airport

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|-------------------------------|-----------|----|---------------------------------|-------------|---------|------|----|--------|-------------|------|-------|
| 1601 Alton Pkwy. | Irvine | 1 | Warehouse / Light Manufacturing | 1974 | 124,000 | 1.3% | 1 | 39.8 % | 467,896 | 0.6% | 9.48 |
| 3441 West MacArthur Blvd. | Santa Ana | 1 | Warehouse / Distribution | 1973 | 122,060 | 1.2% | 1 | 100.0% | 720,243 | 1.0% | 5.90 |
| 600-650 South Grand Ave. | Santa Ana | 6 | Warehouse / Light Manufacturing | 1988 | 101,210 | 1.0% | 57 | 97.4 % | 1,079,469 | 1.5% | 10.95 |
| 3720-3750 W. Warner Ave. | Santa Ana | 1 | Warehouse / Light Manufacturing | 1973 / 2008 | 38,570 | 0.4% | 14 | 100.0% | 377,693 | 0.5% | 9.79 |
| 200-220 South Grand Ave. | Santa Ana | 1 | Warehouse / Light Manufacturing | 1973 / 2008 | 27,200 | 0.3% | 7 | 100.0% | 281,088 | 0.4% | 10.33 |
| 2610 & 2701 S. Birch Street | Santa Ana | 1 | Warehouse / Light Manufacturing | 1965 | 98,230 | 1.0% | 1 | 100.0% | 360,000 | 0.5% | 3.66 |
| Orange County - Airport Total | | 11 | | | 511,270 | 5.2% | 81 | 84.9 % | \$3,286,389 | 4.5% | 7.57 |

San Bernardino - Inland Empire West

| | | | | | | | | | | | |
|---|------------------|---|---------------------------------|-----------------------|---------|------|----|--------|---------|------|------|
| 13231 Slover Avenue | Fontana | 1 | Warehouse / Distribution | 1990 | 109,463 | 1.1% | 2 | 100.0% | 489,973 | 0.7% | 4.48 |
| 10509 Business Drive | Fontana | 1 | Warehouse / Distribution | 1989 | 130,788 | 1.3% | 2 | 100.0% | 601,762 | 0.8% | 4.60 |
| 8900-8980 Benson Ave., 5637 Arrow Highway | Montclair | 5 | Warehouse / Light Manufacturing | 1974 | 88,016 | 0.9% | 44 | 84.2 % | 712,141 | 1.0% | 9.61 |
| 1400 S. Campus Ave. | Ontario | 2 | Warehouse / Light Manufacturing | 1964-1966, 1973, 1987 | 107,861 | 1.1% | 1 | 100.0% | 453,016 | 0.6% | 4.20 |
| 845, 855, 865 S Milliken Ave & 4317, 4319 Santa Ana St. | Ontario | 5 | Light Industrial / Office | 1985 | 113,612 | 1.2% | 16 | 90.8 % | 591,937 | 0.8% | 5.74 |
| 710 South Dupont Avenue & 4051 Santa Ana Street | Ontario | 2 | Warehouse / Light Manufacturing | 2001 | 111,890 | 1.2% | 5 | 100.0% | 638,255 | 0.9% | 5.70 |
| 9375 Archibald | Rancho Cucamonga | 8 | Light Industrial / Office | 1980 / 2007 | 62,677 | 0.6% | 30 | 68.7 % | 382,563 | 0.5% | 8.88 |

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|---------------|-----------|----|------------------|-------------|---------|------|-----|--------|-------------|------|-------|--|
| Ave. | | | | | | | | | | | | |
| 9160 - 9220 | | | | | | | | | | | | |
| Cleveland | | | Light | | | | | | | | | |
| Ave., 10860 | Rancho | | Manufacturing | 1988-1989 / | | | | | | | | |
| 6th St. | Cucamonga | 3 | / Flex | 2006 | 129,309 | 1.3% | 4 | 84.5 % | 1,722,251 | 2.3% | 15.76 | |
| 10700 Jersey | Rancho | | Light Industrial | | | | | | | | | |
| Blvd. | Cucamonga | 7 | / Office | 1988-1989 | 107,568 | 1.1% | 56 | 97.9 % | 918,774 | 1.2% | 8.73 | |
| San | | | | | | | | | | | | |
| Bernardino - | | | | | | | | | | | | |
| Inland Empire | | | | | | | | | | | | |
| West Total | | 34 | | | 961,184 | 9.8% | 160 | 93.1 % | \$6,510,672 | 8.8% | 7.28 | |
| 35 | | | | | | | | | | | | |

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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⁾⁽⁴⁾ | Percentage of Total Annual Rent ⁽⁵⁾ | Total Annualized Rent per Square Foot ⁽⁶⁾ |
|---|-------------|---------------------|---------------------------------|---------------------------------------|----------------------|---|------------------|-----------|--|--|--|
| San Bernardino - Inland Empire East | | | | | | | | | | | |
| 77-700 Enfield Lane | Palm Desert | 1 | Warehouse / Light Manufacturing | 1990 | 21,607 | 0.2% | 7 | 100.0% | 164,985 | 0.2% | 7.64 |
| 6750 Unit B-C - 6780 | Riverside | 4 | Warehouse / Light Manufacturing | 1978 | 63,675 | 0.6% | 4 | 74.7 % | 256,898 | 0.3% | 5.40 |
| San Bernardino - Inland Empire East | | | | | | | | | | | |
| Total | | 5 | | | 85,282 | 0.8% | 11 | 81.1 % | \$421,883 | 0.5% | 6.10 |
| Ventura County | | | | | | | | | | | |
| 300 South Lewis Rd. | Camarillo | 1 | Warehouse / Distribution | 1960-1963 / 2006 | 215,128 | 2.2% | 10 | 100.0% | 1,670,830 | 2.3% | 7.77 |
| 1800 Eastman Ave | Oxnard | 1 | Warehouse / Distribution | 2009 | 33,332 | 0.3% | 1 | 100.0% | 220,595 | 0.3% | 6.62 |
| 201 Rice Ave. & 2400-2420 Celsius | Oxnard | 3 | Warehouse / Distribution | 2008 | 137,785 | 1.4% | 23 | 96.9 % | 1,146,778 | 1.5% | 8.59 |
| 2220-2260 Camino del Sol | Oxnard | 1 | Warehouse / Distribution | 2005 | 69,891 | 0.7% | 1 | 58.8 % | 331,433 | 0.4% | 8.07 |
| 2350-2380 Eastman Ave | Oxnard | 4 | Warehouse / Distribution | 2003 | 55,296 | 0.6% | 25 | 92.9 % | 505,783 | 0.7% | 9.84 |
| 2360-2364 E. Sturgis Road | Oxnard | 3 | Warehouse / Distribution | 1989 | 49,624 | 0.5% | 14 | 95.6 % | 378,149 | 0.5% | 7.97 |
| 3000 Paseo Mercado, 3120-3150 Paseo Mercado | Oxnard | 5 | Warehouse / Distribution | 1988 | 132,187 | 1.3% | 20 | 85.5 % | 859,185 | 1.2% | 7.60 |

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|-------------------------------------|-----------|----|--|------------------|---------|------|-----|--------|-------------|------|-------|
| 701 Del Norte Blvd. | Oxnard | 1 | Warehouse / Light Manufacturing | 2000 | 125,514 | 1.3% | 17 | 98.5 % | 1,036,864 | 1.4% | 8.38 |
| Ventura County Total | | 19 | | | 818,757 | 8.3% | 111 | 92.7 % | \$6,149,617 | 8.3% | 8.11 |
| San Diego - North County | | | | | | | | | | | |
| 6200 & 6300 Yarrow Dr. | Carlsbad | 2 | Warehouse / Light Manufacturing | 1977-1988 / 2006 | 151,433 | 1.5% | 2 | 73.3 % | 1,053,070 | 1.4% | 9.48 |
| 2431-2465 Impala Dr. | Carlsbad | 7 | Warehouse / Light Manufacturing / Flex | 1983 / 2006 | 89,951 | 0.9% | 6 | 48.9 % | 524,161 | 0.7% | 11.93 |
| 6231 & 6241 Yarrow Dr. | Carlsbad | 2 | Warehouse / Light Manufacturing | 1977 / 2006 | 80,441 | 0.8% | 7 | 100.0% | 720,050 | 1.0% | 8.95 |
| 5803 Newton Dr. | Carlsbad | 1 | Warehouse / Light Manufacturing / Flex | 1997-1999 / 2009 | 71,602 | 0.7% | 2 | 55.9 % | 395,415 | 0.5% | 9.88 |
| 929, 935, 939 & 951 Poinsettia Ave. | Vista | 4 | Warehouse / Light Manufacturing | 1989 / 2007 | 121,892 | 1.3% | 10 | 96.9 % | 878,208 | 1.2% | 7.43 |
| 2575 Pioneer Ave. | Vista | 1 | Warehouse / Light Manufacturing | 1988 / 2006 | 68,935 | 0.7% | 6 | 74.0 % | 434,752 | 0.6% | 8.53 |
| San Diego - North County Total | | 17 | | | 584,254 | 5.9% | 33 | 76.1 % | \$4,005,656 | 5.4% | 9.01 |
| San Diego - Central | | | | | | | | | | | |
| 12345 First American Way | Poway | 1 | Light Industrial / Office | 2002 / 2007 | 40,022 | 0.4% | 2 | 100.0% | 470,659 | 0.6% | 11.76 |
| 10439-10477 Roselle St. | San Diego | 10 | Warehouse / Light Manufacturing | 1970 / 2007 | 97,967 | 1.0% | 44 | 94.9 % | 1,199,853 | 1.6% | 12.90 |
| 6970-7170 & 7310-7374 Convoy Ct. | San Diego | 13 | Warehouse / Distribution | 1971 | 187,763 | 1.9% | 52 | 97.0 % | 2,408,019 | 3.3% | 13.22 |
| 9340 Cabot Drive | San Diego | 1 | Warehouse / Light Manufacturing | 1975 / 1976 | 86,564 | 0.9% | 2 | 83.9 % | 576,897 | 0.8% | 7.95 |
| 9404 Cabot Drive | San Diego | 1 | Warehouse / Light Manufacturing | 1975 / 1976 | 46,846 | 0.5% | 1 | 100.0% | 475,056 | 0.6% | 10.14 |
| | | 1 | | 1975 / 1976 | 96,840 | 1.0% | 1 | 83.6 % | 651,240 | 0.9% | 8.04 |

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|---------------------------|-----------|----|---------------------------------|------|---------|------|-----|--------|-------------|------|-------|--|
| 9455 Cabot Drive | San Diego | | Warehouse / Light Manufacturing | | | | | | | | | |
| 9755 Distribution Ave. | San Diego | 1 | Warehouse / Light Manufacturing | 1974 | 47,666 | 0.5% | 2 | 100.0% | 341,100 | 0.5% | 7.16 | |
| 9855 Distribution Ave | San Diego | 1 | Warehouse / Light Manufacturing | 1983 | 60,819 | 0.6% | 2 | 100.0% | 552,949 | 0.7% | 9.09 | |
| San Diego - Central Total | | 29 | | | 664,487 | 6.8% | 106 | 93.9 % | \$6,675,773 | 9.0% | 10.70 | |

San Diego - South County
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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⁾ | Annualized Rent ⁽⁴⁾ | Percentage of Total Annualized Rent ⁽⁵⁾ | Base Rent per Square Foot ⁽⁶⁾ | Total Annualized Rent |
|---|---------------|---------------------|---------------------------------|---------------------------------------|----------------------|---|------------------|-----------|-------------------------------------|--------------------------------|--|--|-----------------------|
| 131 W. 33rd St. | National City | 2 | Warehouse / Light Manufacturing | 1969 / 2008 | 78,615 | 0.8 % | 15 | 98.0% | 607,111 | 0.8 % | 7.88 | | |
| Consolidated Portfolio - Total / Weighted Average | | 252 | | | 9,829,020 | 100.0% | 1,118 | 90.7% | \$74,102,205 | 100.0% | \$8.31 | | |

- (1) Year renovated means 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, 2014.
- (3) Calculated as monthly contracted base rent per the terms of the lease(s) at such property, as of December 31, 2014, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.
- (4) Calculated as annualized base rent for such property divided by annualized base rent for the total consolidated portfolio as of December 31, 2014.
- (5) Calculated as annualized base rent for such property divided by leased square feet for such property as of December 31, 2014.

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, 2014.

| 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 / Light Manufacturing | 55 | 90.7 % | 4,692,071 | 47.7 % | \$35,436,736 | 47.8 % | \$ 8.33 |
| Warehouse / Distribution | 30 | 93.0 % | 4,183,461 | 42.6 % | \$28,675,085 | 38.7 % | \$ 7.37 |
| Light Manufacturing / Flex | 6 | 79.1 % | 466,319 | 4.7 % | \$5,080,425 | 6.9 % | \$ 13.78 |
| Light Industrial / Office | 7 | 82.3 % | 487,169 | 5.0 % | \$4,909,959 | 6.6 % | \$ 12.25 |
| Total / Weighted Average | 98 | 90.7 % | 9,829,020 | 100.0 % | \$74,102,205 | 100.0 % | \$ 8.31 |

(1) Calculated as the average occupancy at such properties as of December 31, 2014.

(2) Calculated for each property as the monthly contracted base rent per the terms of the lease(s) at such property, as of December 31, 2014, multiplied by 12, and then aggregated by property type. Excludes billboard and antenna revenue and rent abatements.

(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, 2014.

(4) Calculated for each property type as annualized base rent for such property type divided by leased square feet for such property type as of December 31, 2014.

Uncommenced Leases

Uncommenced leases as of December 31, 2014, reflect signed leases that have not yet commenced as of December 31, 2014. 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.

| Market | Leased Square Feet Under Uncommenced Leases ⁽¹⁾ | Pro Forma Occupancy ⁽²⁾ | Annualized Base Rent Under Uncommenced Leases ⁽³⁾ | Total Pro Forma Annualized Base Rent ⁽⁴⁾ | Total Pro Forma Annualized Base Rent per Square Foot ⁽⁵⁾ |
|-----------------------|--|------------------------------------|--|---|---|
| Los Angeles County | - | 90.8% | \$ - | \$39,729,809 | \$ 8.21 |
| Orange County | 1,450 | 92.2% | \$ 15,660 | \$10,017,346 | \$ 8.30 |
| San Bernardino County | - | 92.1% | \$ - | \$6,932,555 | \$ 7.19 |
| Ventura County | - | 92.7% | \$ - | \$6,149,617 | \$ 8.11 |

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|------------------------|-------|-------|-----------|--------------|---------|
| San Diego County | 3,497 | 86.6% | \$ 31,473 | \$11,320,011 | \$ 9.85 |
| Total/Weighted Average | 4,947 | 90.7% | \$ 47,133 | \$74,149,338 | \$ 8.32 |

- (1) The uncommenced leases include: 1,450 square feet of new leases for Orange County and 3,497 square feet of new leases for San Diego County.
- (2) Pro forma occupancy is calculated as (i) square footage under lease as of December 31, 2014 plus additional square footage leased pursuant to uncommenced leases as of December 31, 2014.
- (3) Annualized base rent under uncommenced leases is calculated by multiplying the first full month of contractual base rents (before rent abatements) to be received under uncommenced leases, by 12 and then aggregating by market.
- (4) Total pro forma annualized base rent is calculated by adding annualized base rent as of December 31, 2014 and annualized base rent under uncommenced leases.
- (5) Annualized base rent per square foot under uncommenced leases is calculated as (i) annualized rent base under leases entered into as of December 31, 2014 but that had not commenced as of December 31, 2014, divided by (ii) leased square feet under uncommenced leases.

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Geographic Diversification

The following table sets forth information relating to geographic diversification by county and submarket in our portfolio based on total annualized rent as of December 31, 2014.

| Market | 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⁾ |
|------------------------------------|----------------------|--------------------------|----------------------|--|-------------------------------------|---|---|
| Los Angeles County | | | | | | | |
| Greater San Fernando Valley | | | | | | | |
| Valley | 24 | 86.0 | % 2,706,356 | 27.5 | % \$20,696,751 | 27.9 | % \$ 8.89 |
| San Gabriel Valley | 10 | 95.8 | % 1,213,095 | 12.4 | % \$8,920,307 | 12.0 | % \$ 7.67 |
| Central LA | 2 | 100.0 | % 238,153 | 2.4 | % \$1,601,986 | 2.2 | % \$ 6.73 |
| Mid-Counties | 4 | 100.0 | % 522,430 | 5.3 | % \$3,832,273 | 5.2 | % \$ 7.34 |
| South Bay | 11 | 90.7 | % 648,648 | 6.6 | % \$4,678,491 | 6.3 | % \$ 7.95 |
| Subtotal / Weighted Average | 51 | 90.8 | % 5,328,682 | 54.2 | % \$39,729,808 | 53.6 | % \$ 8.21 |
| Orange County | | | | | | | |
| North Orange County | | | | | | | |
| North Orange County | 5 | 95.6 | % 579,446 | 5.9 | % \$5,036,343 | 6.8 | % \$ 9.09 |
| West Orange County | 1 | 100.0 | % 170,865 | 1.7 | % \$1,307,682 | 1.8 | % \$ 7.65 |
| South Orange County | 1 | 100.0 | % 46,178 | 0.5 | % \$371,271 | 0.5 | % \$ 8.04 |
| OC Airport | 6 | 84.9 | % 511,270 | 5.2 | % \$3,286,389 | 4.4 | % \$ 7.57 |
| Subtotal / Weighted Average | 13 | 92.1 | % 1,307,759 | 13.3 | % \$10,001,685 | 13.5 | % \$ 8.30 |
| San Bernardino County | | | | | | | |
| Inland Empire West | | | | | | | |
| Inland Empire West | 9 | 93.1 | % 961,184 | 9.8 | % \$6,510,672 | 8.8 | % \$ 7.28 |
| Inland Empire East | 2 | 81.1 | % 85,282 | 0.9 | % \$421,883 | 0.6 | % \$ 6.10 |
| Subtotal / Weighted Average | 11 | 92.1 | % 1,046,466 | 10.7 | % \$6,932,555 | 9.4 | % \$ 7.19 |
| Ventura County | | | | | | | |
| Ventura | | | | | | | |
| Ventura | 8 | 92.7 | % 818,757 | 8.3 | % \$6,149,617 | 8.3 | % \$ 8.11 |
| Subtotal / Weighted Average | 8 | 92.7 | % 818,757 | 8.3 | % \$6,149,617 | 8.3 | % \$ 8.11 |