UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from __________ to __________

Commission File Number: 001-36008

Rexford Industrial Realty, Inc.

(Exact name of registrant as specified in its charter)

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

(310) 966-1680

(Registrant s telephone number, including area code)

None

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

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x	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 x

The number of shares of common stock outstanding at August 30, 2013 was 25,681,790.

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REXFORD INDUSTRIAL REALTY, INC.

QUARTERLY REPORT FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

COMBINED BALANCE SHEETS

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Land	$ 189,131,000	$ 154,413,000
Buildings and improvements	245,207,000	210,657,000
Tenant improvements	13,005,000	12,330,000
Furniture, fixtures, and equipment	188,000	188,000
Total real estate held for investment	447,531,000	377,588,000
Accumulated depreciation	(61,840,000)	(56,626,000)
Investments in real estate, net	385,691,000	320,962,000
Cash and cash equivalents	24,951,000	43,499,000
Restricted cash	2,026,000	1,882,000
Notes receivable	7,876,000	11,911,000
Rents and other receivables, net	685,000	560,000
Deferred rent receivable	3,969,000	3,768,000
Deferred leasing costs and in-place lease intangibles, net	7,805,000	5,012,000
Deferred loan costs, net	1,504,000	1,396,000
Acquired above-market leases, net	1,614,000	179,000
Other assets	4,574,000	1,870,000
Acquisition related deposits	210,000	260,000
Investment in unconsolidated real estate entities	11,486,000	12,697,000
Assets associated with real estate held for sale		16,500,000
Total Assets	$ 452,391,000	$ 420,496,000
LIABILITIES & EQUITY		
Liabilities		
Notes payable	$ 351,187,000	$ 302,830,000
Accounts payable, accrued expenses and other liabilities	2,518,000	2,589,000
Due to members		1,221,000
Interest rate contracts		49,000
Acquired below-market leases, net	65,000	39,000
Tenant security deposits	4,623,000	3,753,000
Prepaid rents	603,000	334,000

Liabilities associated with real estate held for sale		13,433,000
Total Liabilities	358,996,000	324,248,000
Equity		
Rexford Industrial Realty, Inc. Predecessor	11,968,000	11,962,000
Accumulated deficit and distributions	(27,592,000)	(24,653,000)
Total Rexford Industrial Realty, Inc. Predecessor equity	(15,624,000)	(12,691,000)
Noncontrolling interests	109,019,000	108,939,000
Total Equity	93,395,000	96,248,000
Total Liabilities and Equity	$ 452,391,000	$ 420,496,000

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

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REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

COMBINED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
RENTAL REVENUES				
Rental revenues	$ 9,152,000	$ 6,940,000	$ 16,932,000	$ 13,784,000
Tenant reimbursements	1,127,000	706,000	1,974,000	1,413,000
Management, leasing and development services	170,000	106,000	431,000	170,000
Other income	49,000	33,000	167,000	50,000
TOTAL RENTAL REVENUES	10,498,000	7,785,000	19,504,000	15,417,000
Interest income	324,000	449,000	635,000	785,000
TOTAL REVENUES	10,822,000	8,234,000	20,139,000	16,202,000
OPERATING EXPENSES				
Property expenses	2,442,000	2,184,000	4,562,000	4,170,000
General and administrative	1,396,000	1,180,000	2,535,000	2,157,000
Depreciation and amortization	3,564,000	2,849,000	6,739,000	6,203,000
Impairment of long-lived assets				
Other property expenses	444,000	353,000	781,000	629,000
TOTAL OPERATING EXPENSES	7,846,000	6,566,000	14,617,000	13,159,000
OTHER (INCOME) EXPENSE				
Acquisition expenses	624,000	167,000	717,000	234,000
Interest expense	4,467,000	4,346,000	8,324,000	8,504,000
Gain on mark-to-market of interest rate swaps		(612,000)	(49,000)	(1,223,000)
TOTAL OTHER EXPENSE	5,091,000	3,901,000	8,992,000	7,515,000
TOTAL EXPENSES	12,937,000	10,467,000	23,609,000	20,674,000
Equity in loss from unconsolidated real estate entities	(712,000)	(90,000)	(925,000)	(33,000)
Gain from early repayment of note receivable			1,365,000	
Loss on extinguishment of debt			(37,000)	
NET LOSS FROM CONTINUING OPERATIONS	(2,827,000)	(2,323,000)	(3,067,000)	(4,505,000)

DISCONTINUED OPERATIONS				
Loss from discontinued operations before gains on sale of real estate	(180,000)	(145,000)	(86,000)	(68,000)
Loss on extinguishment of debt	(41,000)		(250,000)	
Gain on sale of real estate	2,580,000		4,989,000	
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	2,359,000	(145,000)	4,653,000	(68,000)
NET INCOME (LOSS)	(468,000)	(2,468,000)	1,586,000	(4,573,000)
Net (income) loss attributable to noncontrolling interests	(1,818,000)	1,009,000	(3,544,000)	2,942,000
NET LOSS ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR	$ (2,286,000)	$ (1,459,000)	$ (1,958,000)	$ (1,631,000)

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

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REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

COMBINED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Rexford Industrial Realty, Inc. Predecessor	Noncontrolling Interests	Total
Balance as of January 1, 2013	$ (12,691,000)	$ 108,939,000	$ 96,248,000
Capital contributions	6,000	1,150,000	1,156,000
Equity based compensation expense		100,000	100,000
Net income	(1,958,000)	3,544,000	1,586,000
Distributions	(981,000)	(4,714,000)	(5,695,000)
Balance as of June 30, 2013	$ (15,624,000)	$ 109,019,000	$ 93,395,000

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

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REXFORD INDUSTRIAL REALTY, INC. PREDECESSOR

COMBINED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 1,586,000	$ (4,573,000)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in (earnings) loss of unconsolidated real estate entities	925,000	33,000
Depreciation and amortization	6,739,000	6,203,000
Depreciation and amortization included in discontinued operations	157,000	588,000
Amortization of above market lease intangibles	212,000	87,000
Accretion of discount on notes receivable	(94,000)	(176,000)
Loss on extinguishment of debt	287,000	
Gain on sale of real estate	(4,989,000)	
Amortization of loan costs	657,000	371,000
Gain on mark-to-market interest rate swaps	(49,000)	(1,223,000)
Deferred interest expense	530,000	527,000
Equity based compensation expense	85,000	
Gain from early repayment of notes receivable	(1,365,000)	
Change in working capital components:		
Rents and other receivables	(125,000)	(32,000)
Deferred rent receivable	(217,000)	(223,000)
Change in restricted cash	(116,000)	(265,000)
Leasing commissions	(606,000)	(349,000)
Other assets	(1,068,000)	(308,000)
Accounts payable, accrued expenses and other liabilities	(836,000)	(187,000)
Tenant security deposits	495,000	(251,000)
Prepaid rent	194,000	(41,000)
Net cash provided by operating activities	2,402,000	181,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investment in real estate	(73,332,000)	(5,701,000)
Capital expenditures	(1,205,000)	(3,155,000)
Acquisition related deposits	50,000	
Contributions to unconsolidated real estate entities		(2,814,000)
Distributions from unconsolidated real estate entities	237,000	195,000
Change in restricted cash	(71,000)	236,000
Principal repayments of notes receivable	5,494,000	102,000
Disposition of investment in real estate	21,537,000	
Net cash used in investing activities	(47,290,000)	(11,137,000)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	55,459,000	4,795,000
Repayment of notes payable	(21,078,000)	(344,000)
Deferred loan costs	(800,000)	(462,000)
Prepaid offering costs	(1,524,000)	
Capital contributions	1,156,000	6,809,000
Distributions to members	(5,695,000)	(1,094,000)
Reimbursements due to members	(1,221,000)	
Change in restricted cash	43,000	(87,000)
Net cash provided by financing activities	26,340,000	9,617,000
Net decrease in cash and cash equivalents	(18,548,000)	(1,339,000)
Cash and cash equivalents, beginning of period	43,499,000	20,928,000
Cash and cash equivalents, end of period	$ 24,951,000	$ 19,589,000

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

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REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Unaudited)

1. Overview and Background

Rexford Industrial Realty, Inc. (the Company, we, our, or us) is a self-administered and self-managed full-service r estate investment trust (REIT) focused on owning and operating industrial properties in Southern California infill markets. Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments in Southern California infill markets.

We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the Operating Partnership), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the Code), and generally are not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

On July 24, 2013, we completed our initial public offering (the IPO) of 16,000,000 shares common stock and the related formation transactions and concurrent private placement. On August 21, 2013, we issued an additional 451,972 shares of our common stock in connection with the partial exercise of the over-allotment option granted to the underwriters in the IPO.

Because the transactions referenced above did not occur until after June 30, 2013, the historical financial results in the financial statements discussed below relate to our predecessor only. Our predecessor (Rexford Industrial Realty, Inc. Predecessor) is comprised of Rexford Industrial, LLC (RILLC), Rexford Sponsor V, LLC, Rexford Industrial Fund V REIT, LLC (RIF V REIT) and their consolidated subsidiaries which consists of Rexford Industrial Fund I, LLC (RIF I), Rexford Industrial Fund II, LLC (RIF II), Rexford Industrial Fund III, LLC (RIF III), Rexford Industrial Fund IV, LLC (RIF IV), Rexford Industrial Fund V, LP (RIF V) and their subsidiaries (collectively the Predecessor Funds). The entities comprising Rexford Industrial Realty, Inc. Predecessor are combined on the basis of common management and common ownership.

Prior to our IPO, the Company had no operations other than the issuance of 100 shares of our common stock, $0.01 par value per share, for $100 to Michael Frankel and his affiliate in connection with our initial capitalization, and the collection of approximately $20.4 million of cash from certain accredited investors in advance of the IPO, which was applied towards the purchase of shares of our common stock in our concurrent private placement.

Below is a summary of the industrial properties in our predecessor s total managed portfolio as of June 30, 2013:

	Number of Properties	Number of Buildings	Total Portfolio Square Feet	Effective Portfolio (1) Square Feet
RIF I	7	17	1,008,191	963,418
RIF II	8	23	726,905	697,515
RIF III	10	34	914,690	914,690

RIF IV	13	28	921,971	921,971
RIF V	21	55	2,982,470	1,972,324
	59	157	6,554,227	5,469,918
RIF V - Notes receivables	1	5	99,447	99,447
	60	162	6,653,674	5,569,365

(1) Effective portfolio square feet includes 100% of the square footage of our predecessor s combined portfolio of 55 properties, and its respective ownership percentage of square footage for our tenants-in-common and joint venture interest properties, which includes 72.24% of Walnut Center Business Park, 70.0% of La Jolla Sorrento Business Park, and 15.0% of 3001-3223 Mission Oaks Boulevard.

Any reference to the number of properties, buildings and square footage are outside the scope of our independent auditor s review of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

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REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

Basis of Presentation

The accompanying interim combined financial statements include the accounts of our predecessor. All significant intercompany accounts and transactions have been eliminated in combination. All the outside ownership interests in entities that our predecessor consolidates are included in non-controlling interests. The accompanying interim financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC) including modifications issued under Accounting Standards Updates (ASUs). The accompanying financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein.

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

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

2. Summary of Significant Accounting Policies
Discontinued Operations

The revenue, expenses, impairment and/or gain on sale of operating properties that meet the applicable criteria are reported as discontinued operations in the combined statements of operations for all periods presented. A gain on sale, if any, is recognized in the period during which the property is disposed.

In determining whether to report the results of operations, impairment and/or gain on sale of operating properties as discontinued operations, we evaluate whether we have any significant continuing involvement in the operations, leasing or management of the property after disposition. If we determine that we have significant continuing involvement after disposition, we report the revenue, expenses, impairment and/or gain on sale as part of continuing operations.

Held for Sale Assets

Our predecessor classifies properties as held for sale when certain criteria set forth in the Long-Lived Assets Classified as Held for Sale Subsections of ASC Topic 360: *Property, Plant, and Equipment,* are met. At that time, the assets and liabilities of the property held for sale are presented separately in the combined balance sheet and cease recording depreciation and amortization expense at the time a property is classified as held for sale. Properties held for sale are reported at the lower of their carrying value or their estimated fair value, less estimated costs to sell.

Investment in Real Estate

Acquisitions of properties are accounted for utilizing the purchase accounting method and accordingly, the results of operations of acquired properties are included in our results of operations from the respective dates

REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

of acquisition. Transaction costs related to acquisitions are expensed, rather than included with the consideration paid. Estimates of future cash flows and other valuation techniques are used to allocate the purchase price of acquired property between land, buildings and improvements, equipment and identifiable intangible assets and liabilities such as amounts related to in-place at-market leases, and acquired above- and below-market leases. Initial valuations are subject to change until such information is finalized, but no later than 12 months from the acquisition date.

The fair values of tangible assets are determined on an as-if-vacant basis. The as-if-vacant fair value is allocated to land, where applicable, buildings, tenant improvements and equipment based on comparable sales and other relevant information obtained in connection with the acquisition of the property.

The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which is generally six months.

Above- and below-market in-place lease intangibles are recorded as an asset or liability based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be received or paid pursuant to the in-place tenant lease, and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease and bargain renewal periods for below market in-place lease intangibles, if applicable.

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

When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in operations for the period.

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

Impairment of Long-Lived Assets

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

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. In order to review real estate assets for recoverability, our predecessor considers current market conditions, as well as their intent with respect to holding or disposing of the asset. The intent with regard to the underlying assets might change as market conditions change, as well as other factors, especially in the current global economic environment. Fair value is determined through various valuation techniques; including discounted cash flow models, applying a capitalization rate to estimated net operating income of a property, quoted market values and third party appraisals, where considered necessary. The use of projected future cash flows is based on assumptions that are consistent with estimates of future expectations and the strategic plan used to manage our predecessor s underlying business. If our predecessor s

REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

analysis indicates that the carrying value of the real estate asset is not recoverable on an undiscounted cash flow basis, our predecessor recognizes an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

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

At June 30, 2013 and December 31, 2012, our predecessor s investment in real estate has been recorded net of a cumulative impairment of $19.6 million.

Income Taxes

Each of RIF I, RIF II, RIF III and RIF IV are limited liability companies but have elected to be taxed as a partnership for tax purposes. As such, the allocated share of net income or loss from the limited liability companies is reportable in the income tax returns of the respective partners and investors. Accordingly, no income tax provision is included in the accompanying combined financial statements.

RIF V REIT has elected to be taxed as a REIT under Sections 856 to 860 of the Code, commencing with its tax period ended December 31, 2010.

To qualify as a REIT, RIF V REIT must distribute annually at least 90% of its adjusted taxable income, as defined in the Code, to its security holders and satisfy certain other organizational and operating requirements. If RIF V REIT fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes (including any applicable alternative minimum tax) on our taxable income at regular corporate rates and we may not be able to qualify as a REIT for four subsequent taxable years. Even if RIF V REIT qualifies for taxation as a REIT, it may be subject to certain state and local taxes on our income and property and to federal income taxes and excise taxes on our undistributed taxable income. We believe that RIF V REIT has met all of the REIT distribution and technical requirements for the three and six months ended June 30, 2013 and 2012. Accordingly, our predecessor has not recognized any provision for income taxes.

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2013 and December 31, 2012, our predecessor has not established a liability for uncertain tax positions.

Revenue Recognition

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

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

REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

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

The recognition of gains on sales of real estate requires that our predecessor measures the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, our predecessor defers gain recognition and accounts for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, our predecessor further analyzes whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, our predecessor defers the gain and recognizes it when the criteria are met or uses the installment or cost recovery method as appropriate under the circumstances. See Note 3 for a discussion of dispositions.

Segment Reporting

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

Recently issued accounting pronouncements

Changes to GAAP are established by the FASB in the form of ASUs to the FASB s Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. Newly issued ASUs not listed below are expected to not have any material impact on its combined financial position and results of operations because either the ASU is not applicable or the impact is expected to be immaterial.

In April 2013, the FASB issued ASU No. 2013-07 to *Presentation of Financial Statements* (Topic 205): *Liquidation Basis of Accounting*. This amendment requires an entity to prepare its financial statements using the liquidation basis of accounting when it ceases operating and begins selling assets to settle debts with creditors. This ASU is effective for fiscal years beginning after December 15, 2012, with early adoption permitted, and should be applied prospectively from the day that liquidation becomes imminent. We do not expect the adoption of this accounting standard to have a material impact on our Combined Financial Statements.

In December 2011, the FASB issued ASU No. 2011-10 to clarify the scope of current GAAP. The update clarifies that the real estate sales guidance applies to the derecognition of a subsidiary that is in-substance real estate as a result of default on the subsidiary s nonrecourse debt. That is, even if the reporting entity ceases to have a controlling financial interest under the consolidation guidance, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary s operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. The adoption of this accounting standard update on January 1, 2013 did not have a material impact on our Combined Financial Statements.

3. Investment in Real Estate

Acquisitions

During the six months ended June 30, 2013, our predecessor acquired four properties consisting of 17 buildings and approximately 740,525 square feet. The properties are located throughout Southern California. The total contract price for these acquisitions was $73.8 million.

During the six months ended June 30, 2012, our predecessor acquired two properties (one located in Southern California and one located in Glenview, Illinois) consisting of five buildings and approximately 145,853 square feet. The total contract price for these acquisitions was $6.4 million.

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REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

Our predecessor incurred acquisition expenses of $0.6 million and $0.2 million for the three months ended June 30, 2013 and 2012, respectively, and $0.7 million and $0.2 million for the six months ended June 30, 2013 and 2012, respectively.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

		Real estate assets:		Acquisition-related					
ess	Acquisition Date	Land	Buildings and improvements	In-place Lease Intangibles (1)	Net Above (Below) Market Lease Intangibles (2)	Total Purchase Price	Other Assets	Notes Payable, Accounts Payable, Accrued Expenses and Tenant Security Deposits	Net Ass Acquir
isitions:									
-18120 badway	4/4/2013	$ 3,013,000	$ 2,161,000	$ 274,000	$	$ 5,448,000	$ 16,000	$ (57,000)	$ 5,407
8980 on Ave., Arrow way	4/9/2013	$ 1,817,000	$ 4,590,000	$ 552,000	$ 191,000	$ 7,150,000	$ 20,000	$ (104,000)	$ 7,066
Tyburn 32, 3360, 3370, 3380, 3424 N. ernando	4/17/2013	$ 26,423,000	$ 25,795,000	$ 2,568,000	$ 1,414,000	$ 56,200,000	$ 168,000	$ (500,000)	$ 55,868
240th St.	5/31/2013	$ 3,464,000	$ 1,498,000	$ 38,000	$	$ 5,000,000	$ 8,000	$ (17,000)	$ 4,991
		$ 34,717,000	$ 34,044,000	$ 3,432,000	$ 1,605,000	$ 73,798,000	$ 212,000	$ (678,000)	$ 73,332

isitions:									
S. us Ave.	3/7/2012	$ 2,600,000	$ 1,631,000	$ 588,000	$ (20,000)	$ 4,799,000	$ 13,000	$ (529,000)	$ 4,283
60 n Dr.	5/1/2012	$ 658,000	$ 688,000	$ 279,000	$	$ 1,625,000	$ 6,000	$ (213,000)	$ 1,418
		$ 3,258,000	$ 2,319,000	$ 867,000	$ (20,000)	$ 6,424,000	$ 19,000	$ (742,000)	$ 5,701

(1) The amortization period of acquired in-place lease intangibles for our 2013 acquisitions was 2.7 years as of June 30, 2013.

(2) The amortization period of net above market leases for our 2013 acquisitions was 2.9 years as of June 30, 2013.

Dispositions

During the six months ended June 30, 2012 our predecessor did not make any dispositions of properties.

A summary of our predecessor property dispositions for the six months ended June 30, 2013 is as follows:

Address	Location	Date of Disposition	Rentable Square Feet	Sales Price	Debt Satisfied (1)	Gain Recorded (2)
4578 Worth Street	Los Angeles, CA	1/31/2013	79,370	$ 4,100,000	$ 2,500,000	$ 2,410,000
1950 E. Williams Drive	Oxnard, CA	4/4/2013	161,682	$ 8,542,000	$ 2,993,000	$ 415,000
9027 Glenoaks Blvd.	Los Angeles, CA	5/10/2013	14,700	$ 1,727,000	$ 1,625,000	$ 234,000
2515, 2507, 2441 W. Erie Dr. & 2929 S. Fair Lane	Tempe, AZ	5/28/2013	83,385	$ 5,003,000	$ 3,531,000	$ 1,015,000
1255 Knollwood Circle	Anaheim, CA	6/14/2013	25,162	$ 2,768,000	$ 2,630,000	$ 915,000

(1) Amount represents the principal paid back to the lender to release the property from a larger pool of properties serving as collateral for the respective portfolio loan.

(2) Gain on sale of real estate is recorded as part of discontinued operations for the three and six months ending June 30, 2013, depending on the date of disposition.

Assets Held for Sale

As of June 30, 2013, our predecessor did not have any properties classified as held for sale. As of December 31, 2012, our Worth Bonnie Beach (4578 Worth Street), Williams (1950 E. Williams Street), Glenoaks (9027 Glenoaks Blvd.), Interstate Commerce Center (2411, 2507 and 2515 Erie Drive) and Knollwood (1225 Knollwood Circle) properties were classified as held for sale.

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REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

The major classes of assets and liabilities of real estate held for sale were as follows:

	December 31, 2012
Investment in real estate, net	$ 16,058,000
Other	442,000
Total assets	$ 16,500,000
Notes payable	$ 13,279,000
Accounts payable and other liabilities	154,000
Total liabilities	$ 13,433,000

Discontinued Operations

Income (loss) from discontinued operations includes the results of operations and the gain on sale of real estate related to the disposition properties noted above, the note receivable that was repaid in full (see Note 5), as well as the results of operations of the Long Carson property which was disposed of on October 16, 2012. Their combined results of operations for the three and six months ended June 30, 2013 and 2012 are summarized as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	$	$ 537,000	$ 391,000	$ 1,145,000
Operating expenses	(83,000)	(244,000)	(193,000)	(337,000)
Interest expense	(50,000)	(154,000)	(127,000)	(288,000)
Depreciation expense	(47,000)	(284,000)	(157,000)	(588,000)
Loss on extinguishment of debt	(41,000)		(250,000)	
Gain on sale of real estate	2,580,000		4,989,000	
Income (loss) from discontinued operations	$ 2,359,000	$ (145,000)	$ 4,653,000	$ (68,000)

4. Intangible Assets

The following summarizes our predecessor s identifiable intangible assets and acquired above/below market lease assets as of:

	June 30, 2013	December 31, 2012
Acquired in-place lease intangibles		
Gross amount	$ 21,506,000	$ 18,074,000
Accumulated amortization	(16,224,000)	(15,160,000)
Net balance	$ 5,282,000	$ 2,914,000
Acquired above market leases		
Gross amount	$ 2,209,000	$ 565,000
Accumulated amortization	(595,000)	(386,000)
Net balance	$ 1,614,000	$ 179,000
Below market leases		
Gross amount	$ (3,751,000)	$ (3,711,000)
Accumulated amortization	3,686,000	3,672,000
Net balance	$ (65,000)	$ (39,000)

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REXFORD INDUSTRIAL REALTY, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS (continued)

(Unaudited)

5. Notes Receivable

On February 8, 2013 the mortgage note borrower for the 2824 E. Foothill Blvd. loan early repaid the outstanding principal in full. Our predecessor received gross proceeds from this payoff of $5.4 million, including $6,310 in per diem interest, of which $2.5 million was used to repay the loan secured by this note. The remaining proceeds were paid as a distribution to investors in RIF V. Our predecessor recorded a $1.4 million gain on collection of notes receivable during the six months ended June 30, 2013.