

Rexford Industrial Realty, Inc.
Form 10-Q
November 07, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36008

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

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

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

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

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

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

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

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

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

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

The number of shares of common stock outstanding at October 31, 2016 was 66,040,267.

REXFORD INDUSTRIAL REALTY, INC.
 QUARTERLY REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited and in thousands – except share and per share data)

	September 30, 2016	December 31, 2015
ASSETS		
Land	\$ 659,641	\$ 492,704
Buildings and improvements	778,066	650,075
Tenant improvements	36,687	28,977
Furniture, fixtures, and equipment	175	188
Construction in progress	23,300	16,822
Total real estate held for investment	1,497,869	1,188,766
Accumulated depreciation	(126,601)	(103,623)
Investments in real estate, net	1,371,268	1,085,143
Cash and cash equivalents	55,263	5,201
Note receivable, net	5,817	—
Rents and other receivables, net	2,633	3,040
Deferred rent receivable, net	10,913	7,827
Deferred leasing costs, net	8,064	5,331
Deferred loan costs, net	996	1,445
Acquired lease intangible assets, net	38,093	30,383
Acquired indefinite-lived intangible	5,215	5,271
Other assets	5,522	5,523
Acquisition related deposits	400	—
Investment in unconsolidated real estate entities	—	4,087
Total Assets	\$ 1,504,184	\$ 1,153,251
LIABILITIES & EQUITY		
Liabilities		
Notes payable	\$ 500,428	\$ 418,154
Interest rate swap liability	5,938	3,144
Accounts payable, accrued expenses and other liabilities	18,433	12,631
Dividends payable	9,214	7,806
Acquired lease intangible liabilities, net	5,722	3,387
Tenant security deposits	14,946	11,539
Prepaid rents	3,945	2,846
Total Liabilities	558,626	459,507
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 5.875% series A cumulative redeemable preferred stock, liquidation preference \$25.00 per share, 3,600,000 and zero shares outstanding at September 30, 2016 and December 31, 2015, respectively	86,664	—
Common Stock, \$0.01 par value 490,000,000 shares authorized and 66,048,341 and 55,598,684 shares outstanding at September 30, 2016 and December 31, 2015,	658	553

respectively

Additional paid in capital	898,354	722,722
Cumulative distributions in excess of earnings	(56,651) (48,103)
Accumulated other comprehensive loss	(5,764) (3,033)
Total stockholders' equity	923,261	672,139
Noncontrolling interests	22,297	21,605
Total Equity	945,558	693,744
Total Liabilities and Equity	\$ 1,504,184	\$ 1,153,251

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

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REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands – except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
RENTAL REVENUES				
Rental income	\$28,285	\$ 20,617	\$77,903	\$ 58,449
Tenant reimbursements	4,467	2,377	12,144	7,405
Other income	192	341	764	693
TOTAL RENTAL REVENUES	32,944	23,335	90,811	66,547
Management, leasing and development services	131	186	376	479
Interest income	228	153	228	710
TOTAL REVENUES	33,303	23,674	91,415	67,736
OPERATING EXPENSES				
Property expenses	8,978	6,237	24,480	17,882
General and administrative	5,067	3,778	13,190	11,064
Depreciation and amortization	13,341	10,642	37,165	31,016
TOTAL OPERATING EXPENSES	27,386	20,657	74,835	59,962
OTHER EXPENSES				
Acquisition expenses	380	528	1,490	1,608
Interest expense	3,804	2,245	10,774	5,729
TOTAL OTHER EXPENSES	4,184	2,773	12,264	7,337
TOTAL EXPENSES	31,570	23,430	87,099	67,299
Equity in income from unconsolidated real estate entities	1,328	45	1,451	58
Gain from early repayment of note receivable	—	581	—	581
Loss on extinguishment of debt	—	(253)	—	(182)
Gains on sale of real estate	—	—	11,563	—
NET INCOME	3,061	617	17,330	894
Less: net income attributable to noncontrolling interest	(63)	(24)	(533)	(36)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	2,998	593	16,797	858
Less: preferred stock dividends	(661)	—	(661)	—
Less: earnings allocated to participating securities	(70)	(53)	(223)	(152)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$2,267	\$ 540	\$15,913	\$ 706
Net income available to common stockholders per share - basic and diluted	\$0.03	\$ 0.01	\$0.26	\$ 0.01
Weighted average shares of common stock outstanding - basic	65,707,476	65,145,963	61,694,835	63,613,874
Weighted average shares of common stock outstanding - diluted	67,985,175	65,145,963	61,919,976	63,613,874
Dividends declared per common share	\$0.135	\$ 0.135	\$0.405	\$ 0.375

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

REXFORD INDUSTRIAL REALTY, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (Unaudited and in thousands)

	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2016	2015	2016	2015
Net income	\$3,061	\$617	\$17,330	\$894
Other comprehensive income (loss): cash flow hedge adjustment	1,613	(1,756)	(2,794)	(3,314)
Comprehensive income (loss)	4,674	(1,139)	14,536	(2,420)
Comprehensive (income) loss attributable to noncontrolling interests	(112)	33	(470)	63
Comprehensive income (loss) attributable to common stockholders	\$4,562	\$(1,106)	\$14,066	\$(2,357)

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands – except share data)

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	—	55,598,684	\$ 553	\$ 722,722	\$(48,103)	\$(3,033)	\$ 672,139	\$ 21,605	\$ 693,744
Issuance of preferred stock	90,000	—	—	—	—	—	90,000	—	90,000
Issuance of common stock	—	10,350,000	104	182,574	—	—	182,678	—	182,678
Offering costs	(3,336)	—	—	(8,435)	—	—	(11,771)	—	(11,771)
Share-based compensation	—	77,093	1	1,489	—	—	1,490	1,500	2,990
Repurchase of common shares	—	(25,236)	—	(501)	—	—	(501)	—	(501)
Conversion of units to common stock	—	47,800	—	505	—	—	505	(505)	—
Acquisition of real estate portfolio	—	—	—	—	—	—	—	125	125
Dividends	—	—	—	—	(25,345)	—	(25,345)	—	(25,345)
Distributions	—	—	—	—	—	—	—	(898)	(898)
Net income	—	—	—	—	16,797	—	16,797	533	17,330
Other comprehensive loss	—	—	—	—	—	(2,731)	(2,731)	(63)	(2,794)
Balance at September 30, 2016	86,664	66,048,341	\$ 658	\$ 898,354	\$(56,651)	\$(5,764)	\$ 923,261	\$ 22,297	\$ 945,558

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2015	—	43,702,442	\$ 434	\$ 542,318	\$(21,673)	\$(1,331)	\$ 519,748	\$ 26,129	\$ 545,877
Issuance of preferred stock	—	—	—	—	—	—	—	—	—
Issuance of common stock	—	11,500,500	115	183,892	—	—	184,007	—	184,007
Offering costs	—	—	—	(8,114)	—	—	(8,114)	—	(8,114)
	—	138,207	—	1,332	—	—	1,332	—	1,332

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Share-based compensation									
Repurchase of common shares	—	(9,886))	—	(148))	—	(148))
Conversion of units to common stock	—	256,640	3	2,822	—	—	2,825	(2,825))
Dividends	—	—	—	—	(20,798))	—	(20,798))
Distributions	—	—	—	—	—	—	—	(816))
Net income	—	—	—	—	858	—	858	36	894
Other comprehensive loss	—	—	—	—	—	(3,215))	(3,215))
Balance at September 30, 2015	—	55,587,903	\$ 552	\$722,102	\$(41,613))	\$(4,546))	\$676,495