



**Rexford
Industrial**

Creating Value. Responsibly.

2019 Environmental, Social and
Corporate Governance Report

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Dear Stakeholders,



Howard Schwimmer

CO-CHIEF EXECUTIVE OFFICER AND DIRECTOR

Rexford Industrial's mission and vision have never been more exciting. Our team is capitalizing upon a tremendous growth opportunity by strategically focusing on creating value through investment in industrial properties within infill Southern California, the largest and most vibrant industrial market in the U.S.



Michael S. Frankel

CO-CHIEF EXECUTIVE OFFICER AND DIRECTOR

We are entrepreneurs in every facet of our business, focused on catalyzing opportunities that create value for our customers, for our shareholders, for our employees and for our broader communities. We prioritize investment in our people, in innovation and in continual

improvement throughout our business. In short, we are on a mission to re-invent the business of industrial real estate.

Our entrepreneurial, value-driven business model positions Rexford Industrial to deliver exceptional economic, environmental and social benefits – some call it the “triple bottom line,” we simply call it good business! While our strong financial and operational performance is well documented through our historical company disclosures, our environmental and social impacts have not yet received the attention they deserve. Consequently, we are very pleased to present our inaugural Environmental, Social and Governance (ESG) Report, which is the result of extensive and industry-leading analyses. We wish to thank the entire Rexford Industrial team as well as our third-party consultants for making this report possible.

Our ESG report focuses on key economic, environmental and social benefits derived through our business and their positive impacts for our employees and to our broader stakeholder communities in which we serve and invest, including, but not limited to:

- ▣ Enhanced sustainability and reduced environmental impact associated with our infill Southern California focus;

- ❑ Reduced carbon and environmental impacts through repositioning and reinvention of existing buildings wherein existing building structures are recycled rather than disposed of in landfills and replaced with ground-up new construction;
- ❑ Value-add renovation and repositioning work that creates additional warehouse capacity within the nation’s largest first- and last-mile distribution market, resolving a significant supply bottleneck that optimizes environmental impact and social outcomes;
- ❑ Increased community welfare, safety and opportunity by investing in under-served urban infill communities to transform blighted, dysfunctional or unsafe locations into highly-functional industrial properties supporting thriving enterprises that create quality local jobs; and,
- ❑ The creation and development of an internal Rexford Industrial team that reflects the diversity of our tenants and our markets, providing opportunities for learning, innovation and advancement in a work environment defined by mutual respect and shared ownership in the Company.

Our entrepreneurial, value-driven business model positions Rexford Industrial to deliver exceptional triple bottom line economic, environmental and social benefits.

We believe that mere ownership of buildings does not necessarily make a business great; rather, our singular vision focused on building enduring competitive advantage creates the foundation for our great business and enables us to create value across economic cycles by investing in our team, in innovation, in our environment and in our communities. Our people are our number one asset, the key to our ongoing success. We serve a broad stakeholder universe and strive to deliver sustained positive economic, environmental and social impacts.

We hope you enjoy and appreciate this report and, as always, we welcome your constructive thoughts and feedback.

Sincerely,



Michael S. Frankel
Co-Chief Executive Officer and Director



Howard Schwimmer
Co-Chief Executive Officer and Director

Our Story

One Focus, One Goal

Rexford Industrial (Rexford) is a Real Estate Investment Trust (REIT) that owns, operates and improves industrial properties throughout Southern California's dynamic infill market, which represents roughly the same economic value as the next five largest U.S. industrial markets combined.

As of year-end 2018, Rexford Industrial owns 176 properties totaling approximately 21.3 million square feet in the infill Southern California market.

Located within the nation's largest zone of regional consumption and population, Rexford's portfolio is also positioned adjacent to the nation's two largest ports. Consequently, our holdings are focused within the nation's largest first-mile and last-mile product distribution ecosystem.

Our strategic proximity to consumers, ports and air freight terminals minimizes the distance traveled for goods flowing through this distribution system, reducing the negative environmental impacts from truck usage and highway congestion.

Our Southern California location is characterized by a lack of extreme weather conditions or dramatic seasonal changes in temperature, resulting in environmental benefits associated with reduced asset wear-and-tear and subsequent repair and maintenance costs. **Overall, our location-based strategy contributes to reduced carbon and environmental impacts as compared to industrial portfolios positioned in other, less-infill locations nation-wide.**

Enhancing Value

Rexford's business model is driven by innovation and adding value at every stage of the ownership lifecycle. Our target market is unusually fragmented, with the majority of industrial properties owned by private, non-real estate professionals or passive owners. These properties, which include over one billion square feet of property built prior to 1980, frequently suffer from a lack of modern functionality and poor energy efficiency. Understanding the market opportunity, Rexford seeks to strategically reinvent and reposition existing industrial properties, increasing their cash flow and value, while reaping substantial environmental and social benefits.

Our value-add renovation and repositioning strategies optimize the throughput of goods that these facilities can accommodate while reducing the cycle time required to move goods into and out of our infill locations – the sweet-spot for rapidly growing demand from ecommerce-related tenants. These efforts increase the efficiency and functionality of such properties, thereby increasing warehouse capacity to store and distribute more product in infill markets demonstrating an extreme scarcity of supply. By increasing warehouse capacity within our infill markets, we also reduce the need to construct new buildings further east in non-infill markets with developable land, thereby moderating the negative environmental impacts from such new construction. Beyond increasing the efficiency and capacity of buildings through renovation, Rexford also recycles entire building structures through its repositioning work.

**Some companies
recycle paper. We
recycle buildings.**

Quantifying Results

Rexford reduces environmental impact and contributes to societal goals while seeking to deliver a high-quality product of maximum value to our stakeholders. To better quantify the value of both the business model and its subsequent benefits, Impact Infrastructure was engaged by Rexford to conduct economic, environmental and social-impact analyses and to quantify this value.

The key metrics described in this report leveraged Autocase, a cloud-based automated Triple Bottom Line Cost-Benefit Analysis* (TBL-CBA) software for Buildings and Sites, created by Impact Infrastructure. Autocase relies solely on fully vetted empirical government provided data, university published and peer-reviewed research and assesses the impacts of better, more sustainable and resilient building and site designs and translates outcomes into the dollar value-based business case. TBL-CBA expands the traditional financial reporting framework to encompass social and environmental performance. The TBL-CBA was supplemented with additional economic analysis to estimate employment, business output, wages and property value effects of Rexford’s investment and reinvention of its properties. All impact statements and related statistics provided herein are the direct results of these analyses.

*As defined in Key Terms

Our Approach

Impact Infrastructure's innovative analysis has been used to uncover hidden value across four key areas of comparison:

1. Rexford's infill Southern California portfolio location versus national or less-infill portfolio locations;
2. Rexford's value-add property renovation strategy versus similar legacy, less-functional properties;
3. Rexford's property repositioning strategy versus new construction; and,
4. Rexford's use of strategic design features and building standards that satisfy [California's stringent Title 24 environmental code](#) requirements.

Our focused business model minimizes environmental impact while seeking to deliver the highest quality product and maximum value to our stakeholders.

1 A More Sustainable Location

Rexford's strategic focus on infill Southern California realizes quantifiable sustainability benefits compared to similar, less-infill portfolios located nationwide. As indicated in Table 1, key benefits of this location strategy include:

- California's more stringent regulatory standards (including adherence to Title 24 codes) and milder climate realize a **net present value (NPV) of approximately \$62 million in urban heat island reduction over 25 years.**
- Rexford properties use less energy and water on average, and produce **fewer carbon emissions and air pollution, generating net present value of approximately \$42 million and \$122 million**, respectively. These values are a subset of the total carbon emission and air pollution impacts of the Rexford portfolio and include **net present value benefits of the social value of water*** estimated at over \$300,000.
- Rexford's decision to invest in infill Southern California locations near end-user customer markets and ports shortens truck distances by an average of eight miles for each trip, **for a reduction of nearly 23 million trucking miles annually across the entire portfolio and \$800 million in triple bottom line net present value over 25 years.**

The total net present sustainability value benefit of Rexford's portfolio versus a national, less-infill competitor is estimated to be over \$921 million over a 25 year horizon.

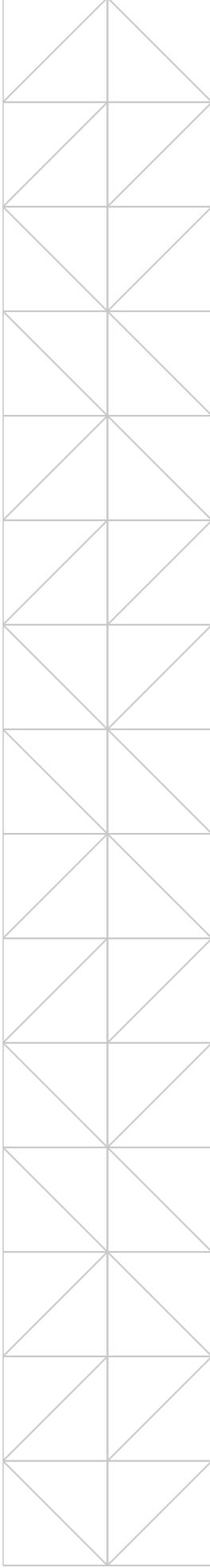
*As defined in Key Terms

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The Added Value of Rexford's Sustainable Location Comparing to a National Competitor:

Impact Type	Expected Value
 Financial NPV	\$252,147,036
Replacement Cost	\$19,001,185
Electricity Costs	-\$37,505,544
Water Costs	-\$677,437
Fuel Costs	\$151,808,742
Vehicle Operating Costs	\$119,520,090
 Social NPV	\$504,690,700
Urban Heat Island Effect*	\$62,065,377
Social Value of Water	\$302,243
Accident Risk and Safety	\$41,140,451
Congestion	\$108,404,571
Noise Pollution	\$37,518,362
Value of Driver Time*	\$153,891,881
Pavement Damage Impacts	\$101,367,815
 Environmental NPV	\$164,783,237
Air Pollution	\$122,104,631
Carbon Emissions	\$42,678,606
Triple Bottom Line NPV	
	\$921,620,973

*As defined in Key Terms



Southern California is characterized by a mild climate lacking extreme weather conditions or dramatic seasonal changes in temperature, which minimizes wear and tear and reduces costs and carbon impacts associated with more intensive asset repair and replacement. As such, Rexford properties benefit from a longer useful life for building structures and related property components. While building components, parking lots and truck loading area may have similar upfront and replacement costs

Rexford properties are estimated to use less electricity and water on average than similar properties spread across the U.S.

throughout the nation, their substantially longer useful life in Southern California yields reduced lifetime maintenance and replacement costs, and a reduced carbon impact from the manufacture and transport of replacement materials. **Rexford's strategic location in Southern California contributes to a lower carbon and environmental impact compared to industrial portfolios positioned in locations with more extreme climates.**

In addition, Rexford properties are estimated to use less electricity and water on average than similar properties spread across the U.S. according to data from the U.S. Energy Information Administration Commercial Building Energy Consumption Survey. Reduced energy consumption is driven by investment in high-efficiency lighting and HVAC equipment to conform to California Title 24 energy code regulations. Because the cost of electricity and social value of water are higher in Southern California due to scarcity, consumption reductions have an especially high value, as every unit saved is worth more in Southern California than in the U.S., on average. Additionally, Rexford properties are positioned within a region comprising a cleaner energy grid (through fewer carbon emissions per unit of electricity produced) than the national average, with the associated environmental benefits from electricity consumption. **Overall, Rexford's Southern California portfolio uses cleaner energy and less energy and water when compared to a similar nationwide portfolio.**

Rexford's strategic portfolio location in close proximity to ports, air freight terminals and customer markets minimizes distance traveled for goods flowing through this distribution ecosystem, reducing environmental impacts from truck usage, highway congestion and related pollution and road wear. Specifically, our infill Southern California location results in reduced trucking vehicle miles traveled* (VMTs) for freight trips inbound and outbound from Rexford facilities. Using the U.S. Census' Commodity Flow Survey, Rexford's last mile infill locations reduce an estimated 23 million trucking miles annually

*As defined in Key Terms

across the Rexford portfolio of properties. **Compared to a nationally dispersed portfolio, this strategy has a present value benefit of approximately \$800 million for Rexford's portfolio over 25 years from reduced truck driver time, lower fuel and operating costs, congestion relief, reduced pavement damage, fewer accidents, and reduced air pollution.**

2 Revitalizing Green

An integral part of Rexford's strategy comprises the purchase of existing infill industrial properties demonstrating opportunities to create value through renovation and repositioning. These opportunities enable us to satisfy unmet tenant requirements while also upgrading functionality to meet or exceed California's stringent building and energy efficiency standards, including the [Title 24 building code](#).

These investments result in revitalized buildings with:

- ❑ Higher-efficiency upgraded lighting, HVAC, roofing systems and water conservation;
- ❑ Improved fire suppression systems that increase warehouse storage capacity; and,
- ❑ Modernized space with enhanced office aesthetics, functionality, worker productivity and health.

Key quantifiable benefits of these sustainable investments over 25 years are shown in Table 2 and include:

- ❑ An increased rent benefit estimated at **\$3.4 million in net present value corresponding to sustainability investments** for a representative Rexford (95,000 square foot) building;
- ❑ Over **\$3.9 million in net present value portfolio-wide value created** from reduced air pollution and carbon emissions as well as a benefit from the social value of water; and,
- ❑ Benefits to building occupants from improved lighting efficiency and daylighting exposure at the workplace leading to **employee productivity and health benefits with estimated net present values of over \$200 million and \$35.7 million, respectively, across the portfolio.**

The \$1,612,409 of triple-bottom-line investments for a representative Rexford property (95,000 square foot) renovation yielded a \$4,745,282 benefit in net present value and a very strong ROI of 294% over the 25-year operational life - with an estimated portfolio-wide net present value of \$590,750,988.

*As defined in Key Terms

The Added Value over 25 years of Rexford's Green Renovations

Comparing to Status Quo Infill Properties:

Impact Type	Representative Rexford Building	Rexford Renovation Portfolio
 Financial NPV	\$2,098,723	\$261,274,838
Upfront Costs	-\$1,612,409	-\$200,732,442
Replacement Costs	-\$247,200	-\$30,774,484
Residual Value of Asset	\$55,126	\$6,862,782
Effective Rent Increase	\$3,412,900	\$424,879,712
Electricity Costs	\$28,584	\$3,558,459
Water Costs	\$8,765	\$1,091,195
Fuel Costs	\$184,501	\$22,968,912
Operating Costs	\$145,259	\$18,083,586
Pavement Damage Impacts	\$123,197	\$15,337,117
 Social NPV	\$2,614,834	\$325,526,779
Employee Productivity	\$1,670,867	\$208,010,098
Employee Health Costs	\$286,803	\$35,704,758
Urban Heat Island Effect	\$242,785	\$30,224,831
Accident Risk and Safety	\$50,000	\$6,224,618
Noise Pollution	\$45,598	\$5,676,590
Congestion	\$131,749	\$16,401,790
Value of Driver Time	\$187,032	\$23,284,094
 Environmental NPV	\$31,724	\$3,949,371
Air Pollution	\$13,563	\$1,688,522
Carbon Emissions	\$16,591	\$2,065,477
Social Value of Water	\$1,569	\$195,372
Triple Bottom Line NPV	\$4,745,282	\$590,750,988
Return on Investment	294%	294%

Rexford's renovation activities, such as fire suppression systems upgrades and enhanced truck access and loading docks, increase building capacity or product throughput, utility and efficiency. **Upgraded fire suppression systems enable higher clear-height storage within existing warehouses, resulting in increased storage capacity and value to tenants. The enhancement of loading and truck access to facilitate modern trucking and distribution of goods increases the velocity with which inventory can be turned over, particularly relevant to growing e-commerce-driven tenant demand for small lot shipments and returns processing.**

Renovation of existing buildings increases capacity within infill markets otherwise lacking supply, reducing the need for and the negative environmental impacts of new construction in non-infill markets.

These activities increase warehousing storage capacity within existing buildings located within infill Southern California markets that are otherwise operating at or close to full market occupancy. By increasing warehousing capacity in existing infill properties, such renovations reduce pressure to construct or to lease additional space further east in non-infill markets such as the Eastern Inland Empire (which is not a Rexford market focus). Rexford's renovated facilities are estimated to help decrease truck VMTs, creating a net present value benefit of more than \$934,000 over 25 years as a result, through reduced fuel and operating costs, pavement damage impacts, accident risk, noise and air pollution and carbon emissions congestion, as well as accounting for the value of driver time.



3 Making Old Better than New

Rexford's strategy of purchasing and redeveloping industrial facilities in urban infill locations near end-user customers and ports has significant benefits compared to new construction in markets with available land such as the Eastern Inland Empire or other non-infill U.S. markets.

As shown in Table 3.1, the benefits of Rexford's infill renovation strategy for an indicative 95,000 square foot infill property compared to new construction at a non-infill Eastern Inland Empire location include:

Rexford's repositioning of existing buildings enabled potential embodied carbon savings of over 46,000 metric tons of carbon-equivalent emissions throughout Rexford's repositioned properties.

- ❑ Prevention of new materials production which led to **embodied carbon savings estimated at 839 metric tons of carbon-equivalent emissions**, valued at a one-time benefit of \$42,603 for a representative property;
- ❑ Estimated savings of 58 miles per truck trip on average due to infill location, **reducing truck VMT over 900,000 miles annually per property, for a trucking benefit of \$2.7 million per year**, undiscounted; and,
- ❑ A representative Rexford property realized **net present value sustainability benefits estimated to be over \$37 million** over a 25-year study period.

Applying the benefits of one representative 95,000 SF property to Rexford's 6.8 million SF of repositioned properties results in an environmental and social net present value benefit estimated at \$555 million.

For some properties, Rexford performs a complete transformation of the building, essentially reinventing vintage, dysfunctional industrial property, including reusing or recycling as much of the existing structural elements as possible. This process is referred to as property repositioning due to the significant level of capital investment and the transformative nature of the work. Rexford's repositioning activities confer substantial economic, environmental and social benefits as compared to alternatives such as leaving vintage industrial property "as-is" in relative states of dysfunction, destroying and landfilling existing building structures to replace with new construction, or constructing new facilities in non-infill markets with available land further east in order to satisfy unmet tenant demand.

The Added Value of Rexford's Repositioning Strategy

Comparing to New Construction in the Inland Empire:

Impact Type	Representative Rexford Property	Rexford Repositioned Portfolio
 Financial NPV	\$16,880,702	\$388,656,008
Cost Savings of Rehabilitation vs New Build	\$5,387,288	\$299,117,502
Fuel Costs	\$6,430,576	\$50,096,880
Vehicle Operating Costs	\$5,062,838	\$39,441,626
 Social NPV	\$18,736,681	\$145,966,602
Accident Risk and Safety	\$1,742,698	\$13,576,347
Congestion	\$4,591,987	\$35,773,505
Noise Pollution	\$1,589,267	\$12,381,058
Pavement Damage Impacts	\$4,293,912	\$33,451,376
Value of Driver Time	\$6,518,817	\$50,784,316
 Environmental NPV	\$2,372,658	\$20,487,346
Avoided Embodied Carbon from Material Reuse	\$42,603	\$2,365,439
Air Pollution	\$1,888,789	\$14,714,459
Carbon Emissions	\$441,266	\$3,407,448
Triple Bottom Line NPV	\$37,990,041	\$555,109,956

Rexford's repositioning work greatly reduces the need to landfill or otherwise dispose of existing building structures and the need to manufacture, purchase and transport new construction materials. By reusing and recycling as much of the existing building structures as possible our strategy enables significant embodied carbon emission savings.

Rexford's recycling of its 6.8 million SF of repositioned properties reduced potential demolition and landfill disposal to an extent that prevented up to 25,000 metric tons of carbon equivalent emissions from release into the environment.

A representative Rexford facility repositioning reuses an average of 6,400 tons of materials.

Table 3.2 shows the added value of Rexford's repositioning strategy compared to demolishing existing buildings and replacing them with new construction at an infill location. Those benefits include the following for a representative 95,000 square foot Rexford repositioning project:

- ❑ Reducing landfill waste and recycling materials from demolition produces an estimated one-time benefit by preventing up to **450 metric tons of carbon equivalent** impact to the environment;
- ❑ Over **375 prevented truck trips** to landfill and recycling facilities for demolition waste, a total of over **2,800 avoided truck VMT** during the construction period; and
- ❑ **A total \$6.7 million estimated net present value benefit for a representative Rexford repositioned property and \$373 million extrapolated to the entire repositioned portfolio.**



The Added Value of Rexford's Repositioning Strategy

Comparing to a New Construction Infill Competitor:

Impact Type	Representative Rexford Property	Rexford Repositioned Portfolio*
 Financial NPV	\$6,660,593	\$369,731,583
Cost Savings of Rehabilitation vs New Build	\$5,387,288	\$299,117,502
Cost Savings of Core Demolition	\$1,270,200	\$70,525,105
Fuel Costs	\$1,737	\$49,775
Vehicle Operating Costs	\$1,368	\$39,201
 Social NPV	\$5,061	\$145,027
Accident Risk and Safety	\$471	\$13,497
Congestion	\$1,240	\$35,533
Noise Pollution	\$429	\$12,293
Pavement Damage Impacts	\$1,160	\$33,241
Value of Driver Time	\$1,761	\$50,463
 Environmental NPV	\$64,370	\$3,557,938
Avoided Embodied Carbon from Material Reuse	\$42,603	\$2,365,439
Avoided Embodied Carbon from Avoided Core Demolition	\$21,169	\$1,175,363
Air Pollution	\$510	\$14,614
Carbon Emissions	\$88	\$2,522
Triple Bottom Line NPV	\$6,730,024	\$373,434,548

*Rexford's Repositioned Portfolio comprises approximately 6.8 million square feet of repositioned property within its total 21.3 million square foot portfolio.

4 Standardizing Success

With the help of our qualified consultants, Rexford undertook extensive analyses to gain a better understanding of the triple bottom line benefits of specific design features used in representative Rexford renovation initiatives. Our goal is to utilize these findings to shape Rexford's future business strategy and building renovation standards. To this end, we analyzed seven specific design features including California code (Title 24) interior lighting upgrades, Elastometric cool roofs, Thermoplastic Polyolefin (TPO) cool roofs, drought-tolerant landscaping, upgraded fire suppression, loading dock upgrades and selective use of porous asphalt.

Results for six of the seven design considerations yielded significant gains for a representative 95,000 square foot building regarding the net present value (NPV) and Return on Investment (ROI), as illustrated in Table 4. Of the six investments:

- ❑ **Loading dock upgrades provide the largest NPV of an estimated \$52,068 per 1,000 square feet or \$4.9 million;**
- ❑ **Fire suppression systems yield the largest ROI at 1,376%;**
- ❑ The upfront capital cost of **lighting upgrades** of \$172,853 yielded **an NPV of \$58,725 with an ROI of 34%** including \$200,047 of avoided electricity costs, \$25,706 in avoided carbon emissions, and \$5,825 in avoided air pollution; and,
- ❑ **Drought-tolerant xeriscaping reduces water use by 30%**, requires less time, effort and cost to maintain, and **produces an NPV of \$4,007 with an ROI of 200%** compared to regular landscaping.

These analyses demonstrate the value of implementing these strategies, which extend above and beyond the strict California environmental codes and provide a solid rationale for incorporating six out of seven measures into Rexford's building standards moving forward. Although porous asphalt as a means to control stormwater run-off did not deliver a positive NPV, we continue to explore other less-costly green infrastructure investments that may help manage and maintain stormwater.

The Value of Select Building Standards

4

Investment	TBL-NPV	Return on Investment
Lighting Upgrades	\$618	34%
Elastometric Cool Roofing	\$1,266	145%
TPO Roofing	\$952	46%
Drought Tolerant Landscaping	\$4,007	200%
Upgraded Fire Suppression System	\$29,722	1,376%
Loading Dock Upgrades	\$52,068	343%
Porous Asphalt	-\$8,614	-86%



Our Impact

Renovation Impact: 301-445 Figueroa Street

One of Rexford's more recent renovation projects occurred at 301-445 Figueroa Street in Wilmington, California, located about five miles from the Ports of Los Angeles and Long Beach. This roughly \$4 million renovation included a number of major upgrades, such as:

- ❑ Remediation of over 695,000 pounds of hazardous materials;
- ❑ Enhanced and improved truck loading dock positions;
- ❑ Exterior upgrades to lighting, security, landscaping and the façade; and,
- ❑ Major interior renovations to create modern, bright office space that meet California Title 24 lighting and HVAC standards as well as Americans With Disabilities Act (ADA) requirements.



Located in an economically distressed Los Angeles neighborhood with a relatively high poverty rate (27.4% versus 17.8% for L.A. County) and low educational attainment (only 56% with a high school degree or higher versus 78% in L.A. County), **we a) increased the square footage that could be occupied by removing toxic waste, and b) renovated the property to improve functionality** and marketability to attract higher quality tenants capable of paying market rent for highly-functional modern space, which translates to higher-quality and more sustainable businesses and jobs with greater opportunity for employee skills development and higher wages.

In short, **Rexford converted this under-utilized and dilapidated property replete with an abandoned space containing toxic waste into a clean, high-functioning industrial park attracting quality business tenants that created local jobs and increased community safety and welfare.**

Specific impacts associated with this single 133,650 square foot renovation include:



After Renovation

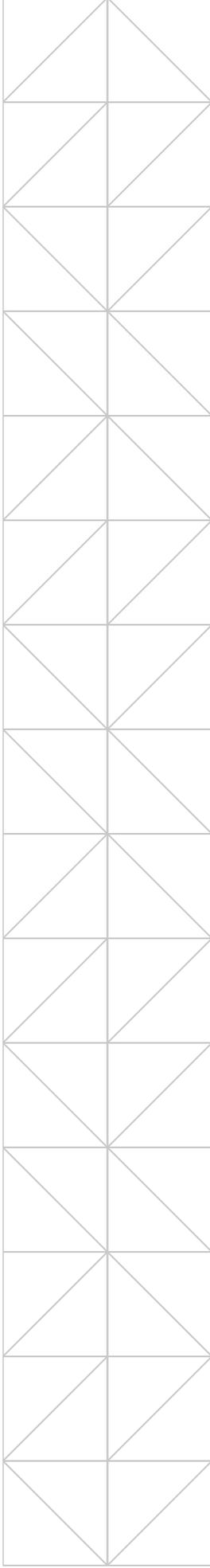
695,822 pounds of chemical waste remediated

50 estimated permanent jobs created

\$1.6 million in annual wages generated

760,000 estimated fewer truck miles of traveled per year

\$28 million in net present value triple bottom line benefits



Renovation Impact: 1661 W 240th Street

Another of Rexford's signature industrial property repositioning efforts is the warehouse and distribution facility at 1661 W 240th Street in Harbor City, California, in close proximity to the ports of Los Angeles and Long Beach. The property was fully leased three months ahead of schedule once this \$2.9 million renovation was completed. Upgrades resulted in a modern facility that meets port-related distribution and warehousing demand. The project included:

- ❑ Approximately \$600,000 for the removal and clean-up of hazardous toxic sub-surface materials.
- ❑ Renovation of building interiors, exterior façades and landscaping, which conform to stringent California environmental code requirements;
- ❑ Upgrades to the fire suppression system; and,
- ❑ Demolition of 3,500 SF of building area to allow for 13 new dock-high truck loading positions;

Prior to the renovation, over half of this property remained vacant. Post-renovation, the 96,661 SF property is 100% occupied by one major tenant that specializes in the packaging and distribution of tile products.



Before Renovation



Specific impacts associated with this renovation include:



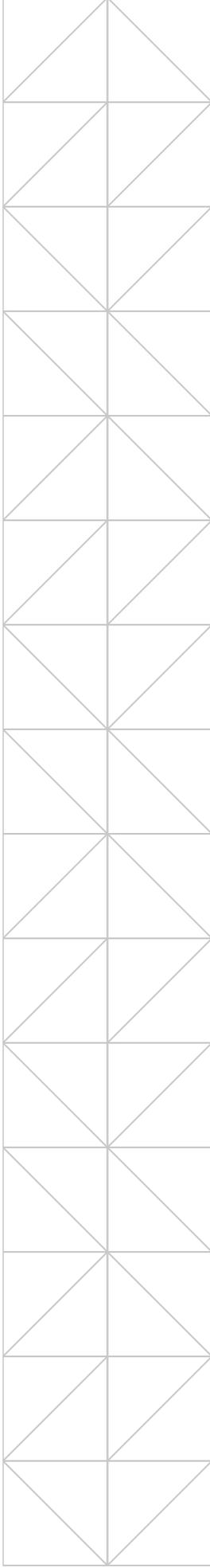
39.24 kg of soil contamination remediated

51 estimated permanent jobs created

\$2.1 million in annual wages generated

527,000 estimated fewer truck miles traveled per year

\$19.5 million in net present value triple bottom line benefits



Repositioning Impact: 14750 Nelson Street

Rexford's property at 14750 Nelson Street in the City of Industry area of Los Angeles represents a prime example of a Rexford property repositioning, producing:

- ❑ 202,000 square feet of industrial building space;
- ❑ 16 dock-high loading positions; and,
- ❑ 15 renovated tenant spaces.

This strategy turned an otherwise dysfunctional, existing building shell, into highly-functional, high-demand tenant spaces with ample dock-high truck loading and modern office components. It also achieved substantial triple bottom line benefits when compared to the two alternatives for introducing additional warehouse supply: demolishing buildings to replace with new construction in the infill market, or new construction in land-available markets further east, such as the Eastern Inland Empire.

Recycling 138,000 SF of existing Nelson Street structures **saved over \$8.1 million** by reducing overall construction costs and avoiding demolishing the building's core. Additionally, the project reused nearly 16,000 tons of construction materials. The impact of this material reuse **prevented an estimated 994 tons of carbon equivalent emissions.**

Repositioning existing buildings in Rexford's target infill markets also has significant benefits compared to relocating incremental warehouse capacity in markets further east. Maintaining proximity to ports, air-freight terminals and population centers reduces truck vehicle miles traveled and increases warehouse throughput efficiency. The social and environmental benefits from reduced truck vehicle miles, less fuel use, reduced pollution and diminished damage on roadway infrastructure are estimated to **generate recurring annual benefits of over \$2.7 million with an estimated net present value of more than \$32.5 million** over a 25-year analysis period for the Nelson Street repositioning project, alone.



Specific impacts associated with this repositioning include:



After Renovation

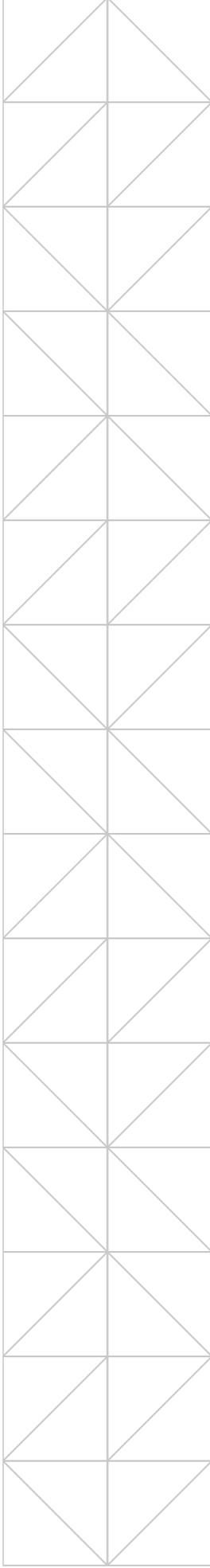


\$8.1 million in cost savings over new construction

16,000 tons of reused construction materials

944 tons of carbon equivalent emissions avoided

\$32.5 million in net present value triple bottom line benefits

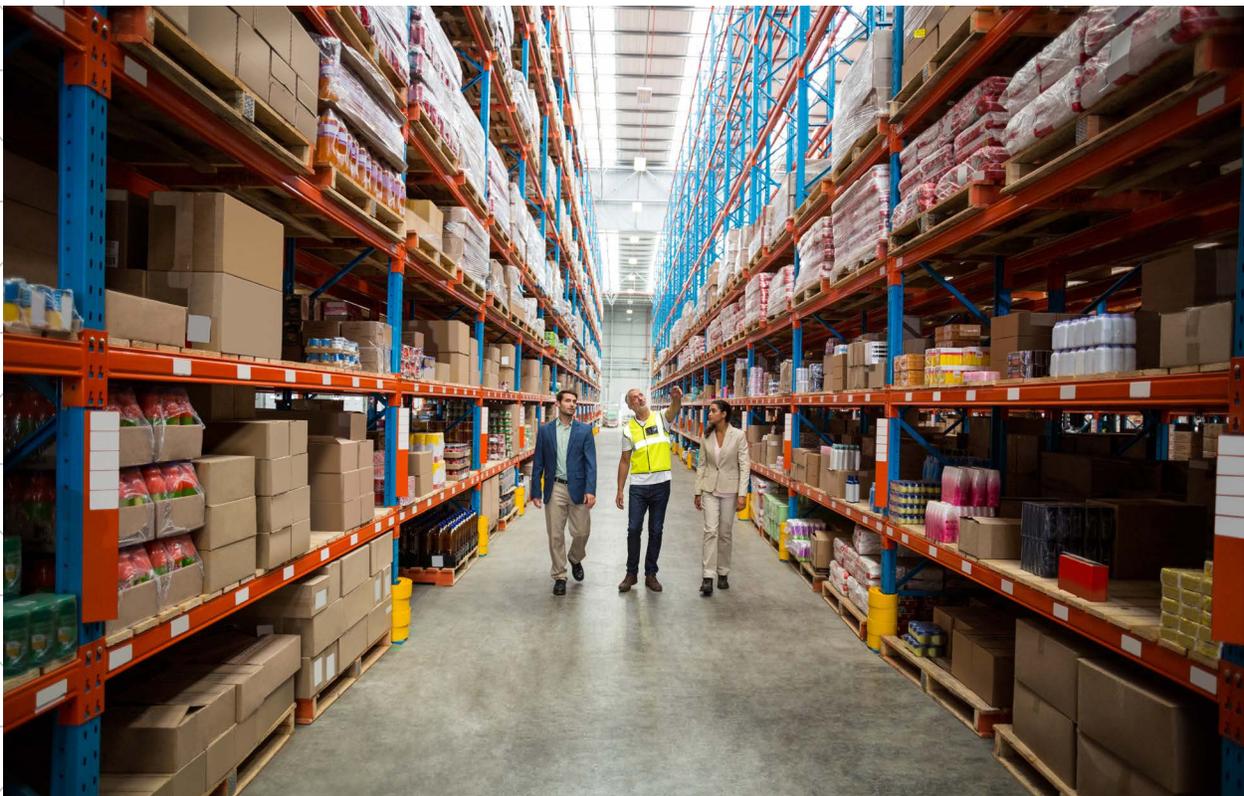


Our Relationships

Rexford's investment and redevelopment of infill industrial properties create several positive economic and community development benefits not only in the neighborhoods of repositioned properties but also in the broader Southern California regional economy, including:

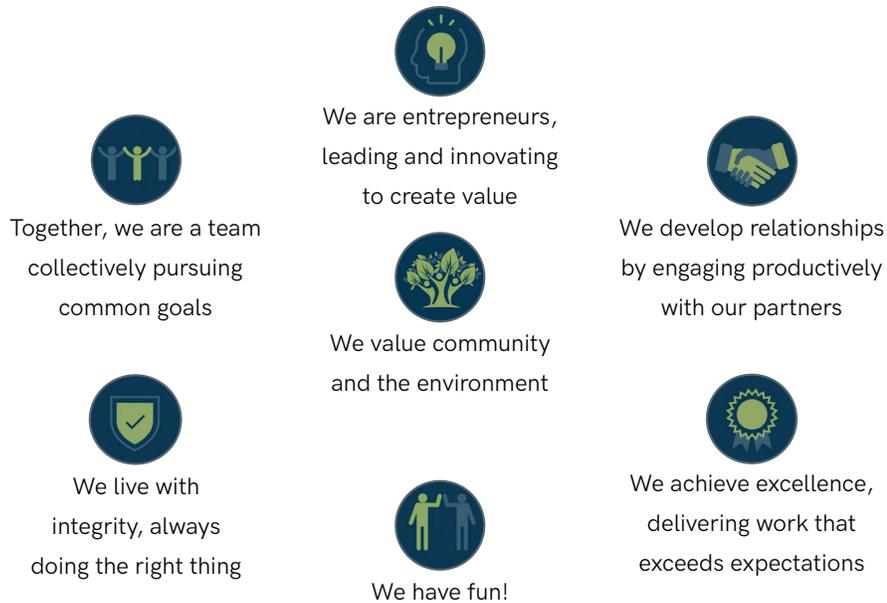
Rexford properties support an estimated 21,000 jobs in Southern California

- ❑ Increasing the number and quality of tenants and the square footage of leased space, which in turn, increases local jobs, business and employee earnings and resulting tax revenue;
- ❑ Expanding private investment through construction and related expenditures, which supports local construction-related jobs and increases property value and property taxes;
- ❑ Removing hazardous materials and cleaning up sites with environmental contaminants thereby improving health conditions; and,
- ❑ Improving the safety and security of buildings and neighborhoods by removing blight and deteriorated exteriors, with a positive impact on the surrounding community.

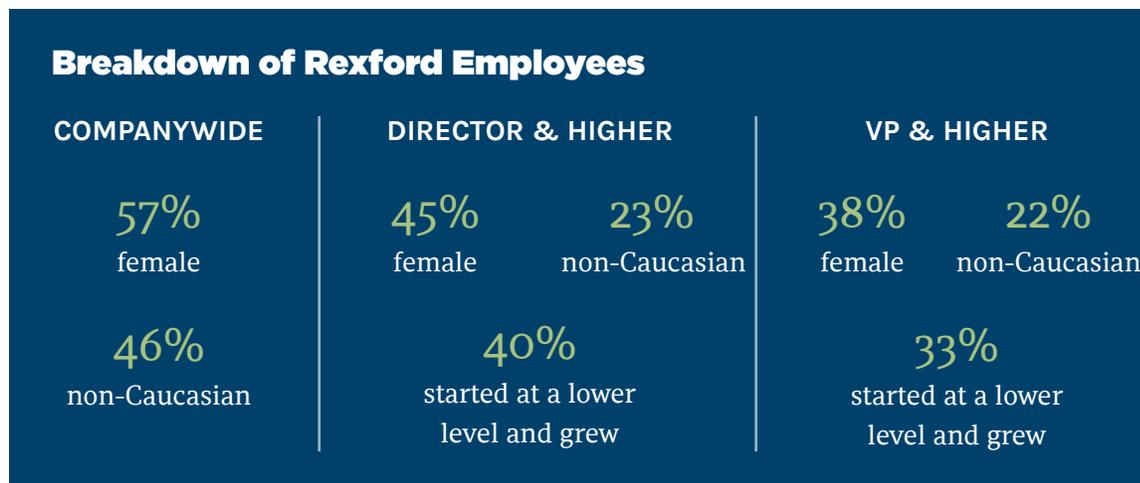


Our Culture, Our People

People are the heart of Rexford and the key determinants of our success. The quality of our relationships defines our culture. These principals are reflected in our seven "Core Values" that guide and shape the way we do business.



At Rexford, we've worked hard for nearly two decades to cultivate, develop and enable a workforce focused on excellence reflecting the diversity of the markets in which we serve. As of the end of 2018, the Rexford team was about 57% female and comprises approximately 46% diverse, non-Caucasian teammates. We strive to deliver market-leading skills development, training and advancement. While we've made great progress to date, with 40% of employees at the director level or higher developed and advanced from within the company, we continue to enhance our internal training and development. We also foster a work environment that enables industry organization involvement, training and accreditation programs for employees. We have a mentoring program for new hires and conduct cross-training among our departments.



Community Engagement

Positive change through community engagement is part of what makes us a great company. Rexford proudly works with and supports a wide range of community organizations enabling capital contributions and active Rexford team participation. Each year, Rexford people contribute time, supported by the Company, to value-add community initiatives. Since 2017, **Rexford and its executive team have donated over \$188,000 to 21 community organizations**, including C5LA, Fisher House, Autism Speaks, the Los Angeles Zoo, Glaza, and Rosemary Children's Services, among others.

Community organizations Rexford actively supports include:



Rexford serves as a corporate sponsor of C5LA, supporting their mission to change the odds for high-potential teens from under-resourced urban communities by inspiring them to pursue personal success while preparing them for leadership roles in education, work and their communities.

Each year, C5LA sends students to camp in Wyoming for a dynamic outdoor learning experience designed to develop self confidence, skills development and supportive relationships during their first summer as high school freshmen. Last summer, 10 Rexford volunteers worked at the camp on Rexford time to serve as mentors and counselors, a tremendously rewarding experience for students and Rexford leaders, alike. Volunteers also assisted the youth group with mentoring to help them better understand how to be part of a team at a company like Rexford and how education plays a role in their development.

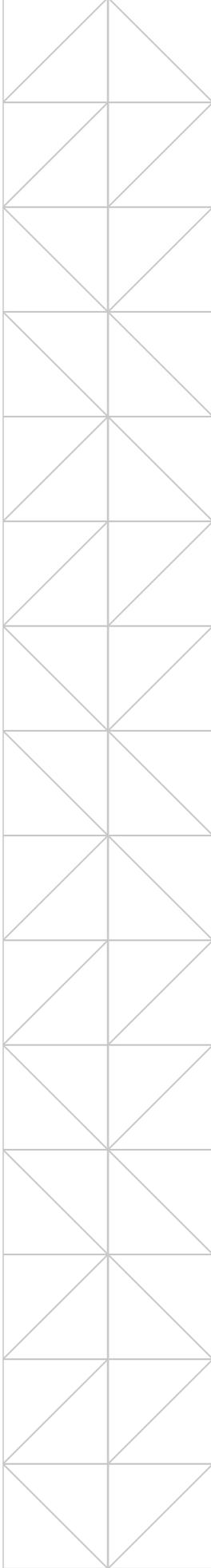
Rexford's commitment to our community continues through our annual internship programs. We've hosted and assisted emerging talent to gain experience, develop skills, make connections, strengthen their resumes, learn about our industry and launch their careers. Our interns provide us with diverse views and many eventually support our growth as new full-time employees.



Rexford's Judy Eschman and Erin Crum at Camp Paintrock in Wyoming for C5LA Summer 2018



C5LA Youth enjoys horseback riding lessons with Rexford's Kelly Nguyen



Our Integrity

Rexford Industrial is dedicated to adhering to the highest standards of business ethics. We maintain an obligation to our employees, shareholders, tenants, contractors, real estate brokers/agents, partners, lenders, suppliers, community representatives and other stakeholders to be honest, fair and forthright in all of our activities. Guided by the Code of Business Conduct and Ethics, **a culture of transparency and accountability is inherent to Rexford's business model and governance structure.**

Code of Conduct

The Rexford Industrial Realty, Inc. Code of Business Conduct and Ethics sets forth general guidelines for conducting company business with the highest standards of business ethics. This Code is followed at all levels of the organization by our directors, officers and employees, and upholds the company's core values to ensure that we conduct all business honestly, fairly and with integrity.

In addition to the Code of Business Conduct and Ethics, the company has an ethics (whistleblower) hotline and other policies outlining acceptable business practices, conflicts of interest, insider trading and expected standards of ethical behavior. Rexford has a zero-tolerance policy for bribery, corruption and fraud. All employees are required to acknowledge that they are aware of and understand the company policies. Reported violations and deviations are addressed promptly. To date, Rexford has received no reports of suspected Code violations through the ethics hotline.

Risk Management

Rexford actively manages its portfolio to mitigate property and environmental risks. We work closely with our property insurance carriers and insurance brokerage team to identify and mitigate any potential loss exposures from both physical damage and business interruptions. Insurance carrier field representatives perform site assessments to evaluate loss exposures and provide recommendations to implement programs and policies to reduce or eliminate loss exposure where feasible. These valuable insights are integrated across our entire portfolio and are of importance when considering site acquisitions as we evaluate and calculate factors such as seismic earthquake risks, allowing for the identification of buildings that may benefit from seismic retrofitting, for example. During early building assessment and planning, we generally generate seismic reports and typically design retrofits that result in a Probable Maximum Loss (PML) rating of <20% to mitigate the impacts of an earthquake. Seismic retrofits may then be implemented upon acquisition of the building as part of our value-add project plan. Similarly, Rexford's environmental consultants perform assessments at projects and provide insights and recommendations for operating projects with environmental risks and community well-being in mind. All of these efforts reflect our commitment to

integrate strategic, cost effective risk mitigation across the portfolio and for the benefit of our customer tenants, investors and the broader southern California community.

Board Oversight and Diversity

The Board of Directors of Rexford Industrial Realty has adopted a set of Corporate Governance Guidelines to assist in the execution of responsibilities and to serve the interests of the company and its stockholders. Rexford believes that diversity leads to better decision-making, reduced risk and fosters a more representative workforce. The Board itself is 13% female with 63% independent Directors.

Stockholders/Stakeholders Rights

Rexford is one of a small minority of Maryland REITs that amended its bylaws in 2018 to give shareholders the right to propose bylaw amendments, above and beyond the corporate requirements for the state of Maryland. In the year leading up to this change, our executive team conducted outreach meetings with investors representing 50.3% of our outstanding public stock who overwhelmingly supported Rexford's proposed position. The Board of Directors believes that this 'Ownership Threshold' provides stockholders who hold a meaningful stake in Rexford with an opportunity to participate by proposing binding amendments to the bylaws.

Executive Compensation

At Rexford's 2018 annual meeting of stockholders, all stockholders were provided the opportunity to cast an advisory vote approving the compensation programs for our named executive officers (NEOs); i.e., "Say-On-Pay." The proposal received support from approximately 95% of the shares voted at the annual meeting, indicating strong stockholder approval of our NEO compensation.

Shareholder Outreach

In 2018, we proactively engaged with over 60% of our stockholders on a variety of topics, including market conditions, corporate strategy and governance practices, shareholder rights, diversity initiatives and environmental sustainability at several investors and industry meetings. These meetings were attended by our NEOs, and, when appropriate, by Tyler Rose, one of Rexford's independent directors and Chairman of Rexford's Nominating and Corporate Governance Committee. The discussions helped us better understand our stockholders' views regarding Rexford's corporate governance and compensation programs. The positive input received through these engagement efforts and the high level of support for our governance and Say-On-Pay proposal are an affirmation of the structural soundness of our governance practices and executive compensation program. For a complete description of Rexford's corporate governance practices and our approach to risk management, please refer to our Proxy Statement and our 2018 Form 10-K or visit the Investor Relations section on our [corporate website](#).

Our Vision, Future Opportunities

Rexford Solar Program

This past year Rexford signed roof leases on nine sites enabling the potential development of over 7.5 megawatts of solar capacity. Rexford is leasing portions of the roofs at these locations to a solar developer with plans to build, own and operate the solar projects. Once completed, the energy generated will be sold to the Los Angeles Department of Water & Power (LADWP) on twenty-year lease terms, **creating an estimated annual roof rent revenue of \$426,694.**

Each year the projects will generate enough energy to power over twelve hundred California homes.

Overall, we look forward to building upon our innovative business strategy of creating value by owning, operating, improving and repositioning high-quality industrial property throughout infill Southern California. We are excited for the future as we raise the bar with further investment in our people, innovation through new technologies and improved processes and with an increasing focus on driving triple bottom line results across economic, environmental and social metrics and initiatives.

For more information contact:



**Rexford
Industrial**

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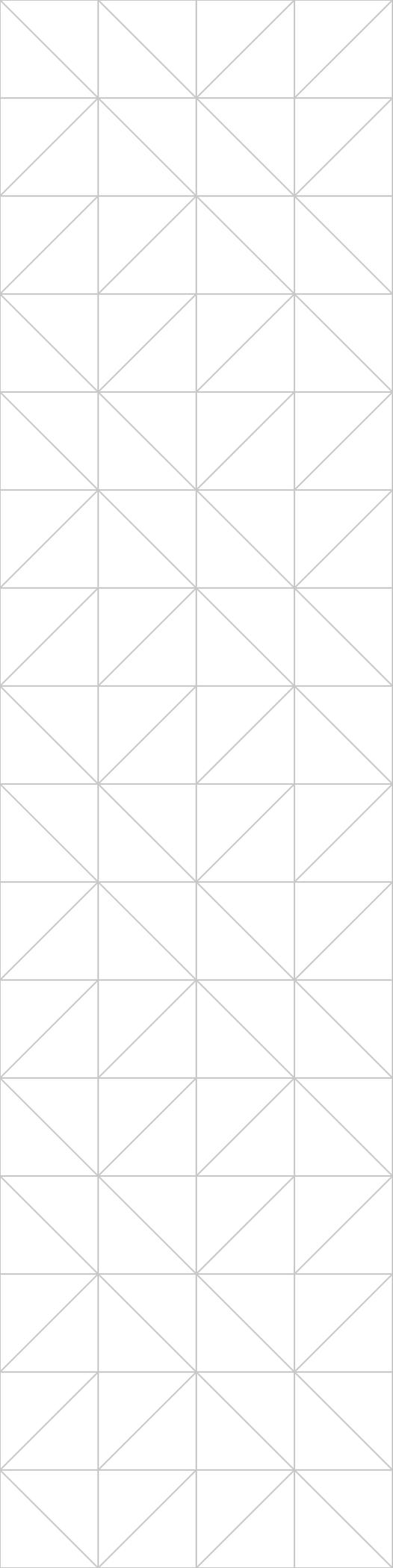
lmask@rexfordindustrial.com



Key Terms:

- ❑ **Life Cycle Cost Analysis:** a method of economic analysis directed at all costs related to constructing, operating, and maintaining a construction project over a defined period of time. A method for assessing the total cost of facility ownership or specific to an investment, in this case, includes upfront capital costs, replacement costs, operations and maintenance costs, residual value, and replacement value.
- ❑ **Social Value of Water:** monetization of the economic value of water resources using cost benefit analysis valuation techniques. Pertains to both groundwater and surface water and based on both use and non-use value including the valuation of the intrinsic ecosystem services provided or supported by water resources.
- ❑ **Triple Bottom Line*:** The TBL is an accounting framework that incorporates three dimensions of performance: financial, social and environmental. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. Also referred to commonly as Environment, Social, and Governance (ESG) factors or People, Planet, and Profits (3P's).
- ❑ **Triple Bottom Line Cost Benefit Analysis*:** a systematic evidence-based economic business case framework that uses best practice Life Cycle Cost Analysis (LCCA) and Cost Benefit Analysis (CBA) techniques to quantify and attribute monetary values to the Triple Bottom Line (TBL) impacts resulting from an investment. TBL-CBA expands the traditional financial reporting framework (such as capital, and operations and maintenance costs) to take into account social and environmental performance. TBL-CBA provides an objective, transparent and defensible economic business case approach to assess the costs and benefits pertaining to the project being analyzed.
- ❑ **Urban heat island effect:** compromises human health and comfort by causing respiratory difficulties, exhaustion, heat stroke and heat-related mortality from Urban Heat Islands, valued in economic terms with the change in mortality rate and the value of statistical life (VSL). The urban heat island effect happens because the closely packed buildings and paved surfaces that make up our cities amplify and trap heat far more effectively than natural ecosystems and rural areas, which are often shaded by trees and vegetation and cooled by evaporating moisture.
- ❑ **Value of driver time:** This benefit values the reduced time spent driving trucks based on less truck mileage, measured in terms of driver wages and benefits.
- ❑ **Vehicle Miles Traveled:** refers to the number of miles vehicles traveled over a given time period, specifically needed to calculate the change in externalities from differences in distance (vehicle operation costs, congestion reduction, value of driver time, carbon emissions and air pollution, noise pollution, pavement damage costs and accident injury/deaths).

*The triple bottom line is limited to the data and literature available - for this reason, various aspects Rexford's financial performance is not included beyond the initial financial outlay to achieve the specific design strategies. This includes but is not limited to rental, vacancy, and land acquisition-related cash flow differences and thus is not fully representative of Rexford's financial outcomes.



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**Rexford
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