

## Rexford Industrial Realty

# 4Q23: delivers another solid quarter but introduces 2024 guidance below Street

Maintain Rating: BUY | PO: 68.00 USD | Price: 52.88 USD

## Core FFO grew 14% Y/Y, in line with Street & BofA

4Q23 FFO/sh grew +14% Y/Y to \$0.56, in line with the Street & BofA (\$0.56). Core operating results remained strong with cash same store NOI +9.5% Y/Y (flat Q/Q) and SS occupancy 97.5% (-40bp Q/Q). We maintain our Buy given REXR's higher quality infill portfolio, embedded internal growth prospects & strong balance sheet.

## 2024 guidance below Street but risk to the upside

Rexford (REXR) introduced 2024 core FFO guidance of \$2.27-2.30 which implies 4-5% Y/Y growth. The midpoint is 7% below the Street & BofA (\$2.45 & \$2.46). Guidance excludes future acquisitions and stabilizations of unleased repositioning/redevelopment assets making the comparison difficult. We attribute at least 10c of the variance to these factors. We believe the other major contributor to lower-than-expected FFO guidance is the gap between GAAP and cash SS NOI. We look to the call for more details on the implied impact on leasing spreads. The average GAAP vs cash spread has been 300bp since 2021. More importantly, core cash NOI metrics are in line with our expectations and imply steady growth. We see potential for upward guidance revisions throughout 2024.

## Leasing continues to outperform broader market

REXR achieved 1.9 million SF of leasing activity during the quarter at 63% GAAP / 46% cash leasing spreads. This compares to 1.5 million SF at 65% GAAP / 51% cash spreads in 3Q23. REXR has achieved a 7% rent premium over the past two years vs. the overall infill SoCal market which had vacancy of 2.8% in 4Q23 vs. 5.5% in other major markets. 4Q market rent growth remained positive overall ranging from 4-8% Y/Y across REXR's comparable properties in all key markets except Inland Empire West (-10% Y/Y).

## REXR remains active in the investment market & redevs

REXR completed four investments in 4Q23 totaling \$315mn (flat investment volumes Q/Q) at weighted average 6.8% stabilized yield. It also disposed of one property for \$11mn. Subsequent to quarter end, REXR completed another acquisition for \$84mn. During 4Q23 REXR also grew its redevelopment pipeline from \$1.5bn to \$1.8bn while stabilizing two repositioning projects totaling \$66mn investment at 7% yields.

## Healthy balance sheet with low leverage & ample liquidity

REXR is well capitalized with 3.6x net debt to adjusted EBITDA and \$1.2bn of liquidity (\$1bn revolver, \$138mn forward equity proceeds for settlement & \$33mn cash).

## What to look for on the call tomorrow

REXR's earnings conference call is tomorrow, 2/7 at 1pm ET. We look for the latest on REXR's leasing pipeline, tenant behavior, market fundamentals, (re)developments, capital allocation strategy and the transaction market.

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**Refer to important disclosures on page 3 to 5. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.**

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### Equity

**Camille Bonnel** >>  
Research Analyst  
Merrill Lynch (Canada)  
+1 646 855 5042  
[camille.bonnel@bofa.com](mailto:camille.bonnel@bofa.com)

**Jeffrey Spector**  
Research Analyst  
BofAS  
+1 646 855 1363  
[jeff.spector@bofa.com](mailto:jeff.spector@bofa.com)

**Andrew Berger**  
Research Analyst  
BofAS  
[andrew.berger2@bofa.com](mailto:andrew.berger2@bofa.com)

**REITs Team**  
BofAS

### Stock Data

Price	52.88 USD
Price Objective	68.00 USD
Date Established	30-Oct-2023
Investment Opinion	B-1-7
52-Week Range	41.56 USD - 65.07 USD
Mkt Val (mn) / Shares Out (mn)	11,286 USD / 213.4
Free Float	99.5%
Average Daily Value (mn)	66.14 USD
BofA Ticker / Exchange	REXR / NYS
Bloomberg / Reuters	REXR US / REXR.N
ROE (2023E)	6.5%
Net Dbt to Eqty (Dec-2022A)	27.4%
ESGMeter™	High

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### Key Terms:

bp: basis points  
FFO: funds from operations  
redev: redevelopment  
Q/Q: quarter over quarter  
SF: square feet  
SoCal: Southern California  
SS: same store  
NOI: Net Operating Income  
Y/Y: year over year

## Price objective basis & risk

### Rexford Industrial Realty (REXR)

Our \$68 price objective for REXR is our forward NAV estimate. This reflects the value of REXR's unique operating and acquisition platform in its infill Southern California industrial markets. We apply a 4.1% cap rate to our forward nominal cash NOI estimate of \$781M to calculate our NAV. We use this cap rate for REXR based on our view of interest rates over the next year, current private market/transaction comps, and the market exposure of REXR. Downside risks to our price objective are operating conditions below our expectations, a rise in cap rates in REXR's markets above our expectations, and failure by REXR to successfully execute on its investment strategy.

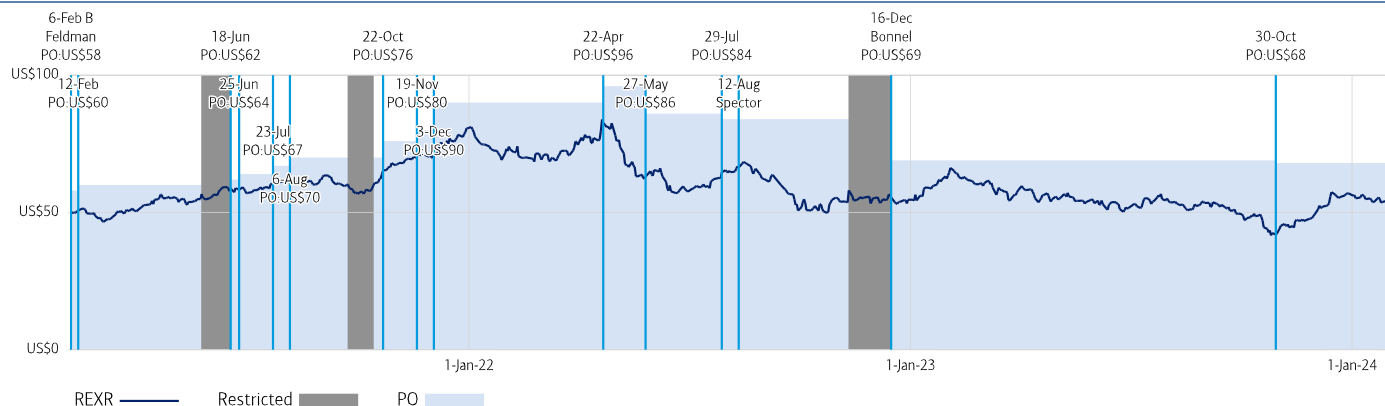
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### Rexford (REXR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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