

DCT Industrial Trust Inc.  
Form 10-Q  
May 01, 2015

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 March 31, 2015

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 001-33201 (DCT Industrial Trust Inc.) 333-195185 (DCT Industrial Operating Partnership LP)

DCT INDUSTRIAL TRUST INC.

DCT INDUSTRIAL OPERATING PARTNERSHIP LP

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Maryland (DCT Industrial Trust Inc.)                              | 82-0538520                              |
| Delaware (DCT Industrial Operating Partnership LP)                | 82-0538522                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 518 Seventeenth Street, Suite 800                                 | 80202                                   |

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Denver, Colorado

(Address of principal executive offices)

(Zip Code)

(303) 597-2400

(Registrant's telephone number, including area code)

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.

DCT Industrial Trust Inc. Yes  No  DCT Industrial Operating Partnership LP. 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).

DCT Industrial Trust Inc. Yes  No  DCT Industrial Operating Partnership LP 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

DCT Industrial Trust Inc.:

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

DCT Industrial Operating Partnership LP:

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

DCT Industrial Trust Inc. Yes  No  DCT Industrial Operating Partnership LP Yes  No

As of April 24, 2015, 88,314,259 shares of common stock of DCT Industrial Trust Inc., par value \$0.01 per share, were outstanding.



## EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the period ended March 31, 2015 of DCT Industrial Trust Inc., a Maryland corporation, and DCT Industrial Operating Partnership LP, a Delaware limited partnership. Except as otherwise indicated herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term the “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

We are a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. DCT has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. We own our properties through the Operating Partnership and its subsidiaries. As of March 31, 2015, DCT owned approximately 95.4% of the outstanding equity interests in the Operating Partnership.

We operate DCT and the Operating Partnership as one enterprise. The management of DCT consists of the same members as the management of the Operating Partnership. As general partner with control of the Operating Partnership, DCT consolidates the Operating Partnership for financial reporting purposes. DCT does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of DCT and the Operating Partnership are the same on their respective financial statements.

We believe combining the quarterly reports on Form 10-Q of DCT and the Operating Partnership into this single report results in the following benefits:

- enhances investors’ understanding of DCT and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosures and provides a more streamlined and readable presentation as a substantial portion of the Company’s disclosures apply to both DCT and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between DCT and the Operating Partnership in the context of how we operate as an interrelated consolidated company. DCT’s only material asset is its ownership of partnership interests in the Operating Partnership. As a result, DCT does not conduct business itself, other than acting as the sole general partner of the Operating Partnership and issuing public equity. DCT itself has not issued any debt, but guarantees the unsecured debt of the Operating Partnership. The Operating Partnership holds substantially all the assets of the business and conducts the operations of the business. Except for net proceeds from equity issuances by DCT, which are contributed to the Operating Partnership, the Operating Partnership generates capital through its operations, its borrowings and the issuance of partnership units to third parties.

Stockholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of DCT and those of the Operating Partnership. Equity interests in the Operating Partnership held by entities other than DCT are classified within partners’ capital in the Operating Partnership’s financial statements and as noncontrolling interests in DCT’s financial statements. Equity interests of 4.6% of the Operating Partnership were owned by executives and non-affiliated limited partners as of March 31, 2015.

To help investors understand the differences between DCT and the Operating Partnership, this report provides separate consolidated financial statements for DCT and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity’s stockholders’ equity or partners’ capital, as

applicable; and a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes distinct information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for DCT and the Operating Partnership in order to establish that the requisite certifications have been made and that DCT and the Operating Partnership are both compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

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## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except share information)

|   | March 31,<br>2015  | December<br>31, 2014 |
|---|--------------------|----------------------|
| <b>ASSETS</b>   | (unaudited)        |                      |
| Land  | \$971,994          | \$950,963            |
| Buildings and improvements  | 2,879,913          | 2,787,959            |
| Intangible lease assets   | 90,992             | 86,515               |
| Construction in progress  | 90,565             | 134,938              |
| Total investment in properties  | 4,033,464          | 3,960,375            |
| Less accumulated depreciation and amortization  | (714,193 )         | (703,840 )           |
| Net investment in properties  | 3,319,271          | 3,256,535            |
| Investments in and advances to unconsolidated joint ventures  | 92,847             | 94,728               |
| Net investment in real estate   | 3,412,118          | 3,351,263            |
| Cash and cash equivalents   | 10,739             | 19,631               |
| Restricted cash   | 3,602              | 3,779                |
| Deferred loan costs, net  | 7,486              | 8,026                |
| Straight-line rent and other receivables, net of allowance for doubtful accounts of<br>\$697 and \$956, respectively  | 57,004             | 54,183               |
| Other assets, net   | 15,424             | 14,652               |
| <b>Total assets</b>   | <b>\$3,506,373</b> | <b>\$3,451,534</b>   |
| <b>LIABILITIES AND EQUITY</b>   |                    |                      |
| <b>Liabilities:</b>   |                    |                      |
| Accounts payable and accrued expenses   | \$77,552           | \$83,543             |
| Distributions payable   | 26,042             | 25,973               |
| Tenant prepaids and security deposits   | 28,805             | 30,539               |
| Other liabilities   | 18,154             | 14,078               |
| Intangible lease liabilities, net   | 23,435             | 22,940               |
| Line of credit  | 69,000             | 37,000               |
| Senior unsecured notes  | 1,122,676          | 1,122,621            |
| Mortgage notes  | 269,477            | 249,424              |
| <b>Total liabilities</b>  | <b>1,635,141</b>   | <b>1,586,118</b>     |
| <b>Equity:</b>  |                    |                      |
| Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding   | -                  | -                    |
| Shares-in-trust, \$0.01 par value, 100,000,000 shares authorized, none outstanding  | -                  | -                    |
| Common stock, \$0.01 par value, 500,000,000 shares authorized 88,166,490 and<br>88,012,696 shares issued and outstanding as of March 31, 2015 and December 31,<br>2014,<br>respectively | 882                | 880                  |



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|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Additional paid-in capital           | 2,764,302   | 2,762,431   |
| Distributions in excess of earnings  | (982,251 )  | (986,289 )  |
| Accumulated other comprehensive loss | (26,505 )   | (27,190 )   |
| Total stockholders' equity           | 1,756,428   | 1,749,832   |
| Noncontrolling interests             | 114,804     | 115,584     |
| Total equity                         | 1,871,232   | 1,865,416   |
| Total liabilities and equity         | \$3,506,373 | \$3,451,534 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

(unaudited, in thousands, except per share information)

|  | Three Months<br>Ended March 31, |          |
|--|---------------------------------|----------|
|  | 2015                            | 2014     |
| <b>REVENUES:</b>   |                                 |          |
| Rental revenues  | \$88,062                        | \$82,619 |
| Institutional capital management and other fees                | 378                             | 764      |
| Total revenues   | 88,440                          | 83,383   |
| <b>OPERATING EXPENSES:</b>                                     |                                 |          |
| Rental expenses  | 10,148                          | 12,402   |
| Real estate taxes  | 14,505                          | 13,197   |
| Real estate related depreciation and amortization              | 38,996                          | 36,433   |
| General and administrative                                     | 7,336                           | 6,834    |
| Impairment losses  | -                               | 4,359    |
| Total operating expenses                                       | 70,985                          | 73,225   |
| Operating income   | 17,455                          | 10,158   |
| <b>OTHER INCOME (EXPENSE):</b>                                 |                                 |          |
| Development profit, net of taxes                               | -                               | 728      |
| Equity in earnings of unconsolidated joint ventures, net       | 807                             | 3,613    |
| Gain on acquisitions and dispositions of real estate interests | 26,154                          | 2,045    |
| Interest expense   | (13,904)                        | (16,056) |
| Interest and other income (expense)                            | (18 )                           | 28       |
| Income tax expense and other taxes                             | (193 )                          | (57 )    |
| Income from continuing operations                              | 30,301                          | 459      |
| Income from discontinued operations                            | -                               | 9        |
| Consolidated net income of DCT Industrial Trust Inc.           | 30,301                          | 468      |
| Net income attributable to noncontrolling interests            | (1,556 )                        | (151 )   |
| Net income attributable to common stockholders                 | 28,745                          | 317      |
| Distributed and undistributed earnings allocated to            |                                 |          |
| participating securities                                       | (143 )                          | (166 )   |
| Adjusted net income attributable to common                     |                                 |          |
| stockholders   | \$28,602                        | \$151    |
| <b>EARNINGS PER COMMON SHARE - BASIC</b>                       |                                 |          |
| Income from continuing operations                              | \$0.32                          | \$0.00   |
| Income from discontinued operations                            | 0.00                            | 0.00     |
| Net income attributable to common stockholders                 | \$0.32                          | \$0.00   |
| <b>EARNINGS PER COMMON SHARE - DILUTED</b>                     |                                 |          |
| Income from continuing operations                              | \$0.32                          | \$0.00   |

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|  |        |        |
|--|--------|--------|
| Income from discontinued operations            | 0.00   | 0.00   |
| Net income attributable to common stockholders | \$0.32 | \$0.00 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:    |        |        |
| Basic  | 88,090 | 80,986 |
| Diluted  | 88,419 | 81,249 |
| Distributions declared per common share        | \$0.28 | \$0.28 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

(unaudited, in thousands)

|  | Three Months<br>Ended March 31, |         |
|--|---------------------------------|---------|
|  | 2015                            | 2014    |
| Consolidated net income of DCT Industrial Trust Inc.             | \$30,301                        | \$468   |
| Other comprehensive income:                                      |                                 |         |
| Net derivative loss on cash flow hedging instruments             | (513 )                          | (328 )  |
| Net reclassification adjustment on cash flow hedging instruments | 1,153                           | 1,156   |
| Other comprehensive income                                       | 640                             | 828     |
| Comprehensive income   | 30,941                          | 1,296   |
| Comprehensive income attributable to noncontrolling interests    | (1,511 )                        | (265 )  |
| Comprehensive income attributable to common stockholders         | \$29,430                        | \$1,031 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity

(unaudited, in thousands)

|   | Total<br>Equity | Common<br>Shares | Stock<br>Amount | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess<br>of Earnings | Accumulated<br>Other<br>Comprehen-<br>sive Loss | Non-<br>controlling<br>Interests |
|---|-----------------|------------------|-----------------|----------------------------------|---|---|----------------------------------|
| Balance at December 31, 2014                | \$1,865,416     | 88,013           | \$ 880          | \$2,762,431                      | \$(986,289 )                              | \$(27,190 )                                     | \$115,584                        |
| Net income                                  | 30,301          | -                | -               | -                                | 28,745                                    | -   | 1,556                            |
| Other comprehensive income<br>(loss)        | 640             | -                | -               | -                                | -   | 685   | (45 )                            |
| Issuance of common stock,<br>stock-         |                 |                  |                 |                                  |   |   |                                  |
| based compensation plans                    | (402 )          | 81               | 1               | (403 )                           | -   | -   | -                                |
| Amortization of stock-based<br>compensation | 1,494           | -                | -               | 448                              | -   | -   | 1,046                            |
| Distributions to common<br>stockholders and |                 |                  |                 |                                  |   |   |                                  |
| noncontrolling interests                    | (26,179 )       | -                | -               | -                                | (24,707 )                                 | -   | (1,472 )                         |
| Redemptions of noncontrolling<br>interests  | (38 )           | 72               | 1               | 1,826                            | -   | -   | (1,865 )                         |
| Balance at March 31, 2015                   | \$1,871,232     | 88,166           | \$ 882          | \$2,764,302                      | \$(982,251 )                              | \$(26,505 )                                     | \$114,804                        |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(unaudited, in thousands)

|  | Three Months<br>Ended March 31, |                 |
|--|---------------------------------|-----------------|
|  | 2015                            | 2014            |
| <b>OPERATING ACTIVITIES:</b>   |                                 |                 |
| Consolidated net income of DCT Industrial Trust Inc.   | \$ 30,301                       | \$ 468          |
| Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to<br>net cash provided by operating activities: |                                 |                 |
| Real estate related depreciation and amortization  | 38,996                          | 36,433          |
| Gain on acquisitions and dispositions of real estate interests   | (26,154)                        | (2,045 )        |
| Distributions of earnings from unconsolidated joint ventures   | 1,486                           | 1,351           |
| Equity in earnings of unconsolidated joint ventures, net   | (807 )                          | (3,613 )        |
| Impairment losses  | -                               | 4,359           |
| Stock-based compensation   | 1,063                           | 1,038           |
| Straight-line rent   | (1,587 )                        | (2,097 )        |
| Other  | 239                             | 1,692           |
| Changes in operating assets and liabilities:   |                                 |                 |
| Other receivables and other assets   | (6,033 )                        | 4,282           |
| Accounts payable, accrued expenses and other liabilities   | (3,332 )                        | (9,179 )        |
| Net cash provided by operating activities  | 34,172                          | 32,689          |
| <b>INVESTING ACTIVITIES:</b>   |                                 |                 |
| Real estate acquisitions   | (84,139)                        | (43,229)        |
| Capital expenditures and development activities  | (47,543)                        | (38,693)        |
| Proceeds from dispositions of real estate investments  | 85,615                          | 2,861           |
| Investments in unconsolidated joint ventures   | (91 )                           | (771 )          |
| Proceeds from casualties and involuntary conversion  | -                               | 205             |
| Distributions of investments in unconsolidated joint ventures  | 710                             | 16,487          |
| Other investing activities   | (813 )                          | 6,715           |
| Net cash used in investing activities  | (46,261)                        | (56,425)        |
| <b>FINANCING ACTIVITIES:</b>   |                                 |                 |
| Proceeds from senior unsecured revolving line of credit  | 53,000                          | 12,000          |
| Repayments of senior unsecured revolving line of credit  | (21,000)                        | (17,000)        |
| Principal payments on mortgage notes   | (2,253 )                        | (5,282 )        |
| Proceeds from issuance of common stock   | -                               | 44,251          |
| Net settlement on issuance of stock-based compensation awards  | (402 )                          | (271 )          |
| Offering costs for issuance of common stock and OP Units   | -                               | (559 )          |
| Redemption of noncontrolling interests   | (38 )                           | (707 )          |
| Dividends to common stockholders   | (24,673)                        | (22,440)        |
| Distributions to noncontrolling interests  | (1,437 )                        | (1,444 )        |
| Other financing activity   | -                               | (13 )           |
| Net cash provided by financing activities  | 3,197                           | 8,535           |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | <b>(8,892 )</b>                 | <b>(15,201)</b> |
| CASH AND CASH EQUIVALENTS, beginning of period   | 19,631                          | 32,226          |

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|  |           |           |
|--|-----------|-----------|
| CASH AND CASH EQUIVALENTS, end of period                             | \$ 10,739 | \$ 17,025 |
| Supplemental Disclosures of Cash Flow Information                    |           |           |
| Cash paid for interest, net of capitalized interest                  | \$ 10,384 | \$ 12,445 |
| Supplemental Disclosures of Non-Cash Activities                      |           |           |
| Retirement of fully depreciated and amortized assets                 | \$ 3,262  | \$ 5,202  |
| Redemptions of OP Units settled in shares of common stock            | \$ 1,827  | \$ 2,933  |
| Assumption of mortgage notes in connection with real estate acquired | \$ 22,958 | \$ -      |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except unit information)

|  | March 31,<br>2015  | December<br>31, 2014 |
|--|--------------------|----------------------|
| <b>ASSETS</b>  | (unaudited)        |                      |
| Land   | \$971,994          | \$950,963            |
| Buildings and improvements   | 2,879,913          | 2,787,959            |
| Intangible lease assets  | 90,992             | 86,515               |
| Construction in progress   | 90,565             | 134,938              |
| Total investment in properties   | 4,033,464          | 3,960,375            |
| Less accumulated depreciation and amortization   | (714,193 )         | (703,840 )           |
| Net investment in properties   | 3,319,271          | 3,256,535            |
| Investments in and advances to unconsolidated joint ventures   | 92,847             | 94,728               |
| Net investment in real estate  | 3,412,118          | 3,351,263            |
| Cash and cash equivalents  | 10,739             | 19,631               |
| Restricted cash  | 3,602              | 3,779                |
| Deferred loan costs, net   | 7,486              | 8,026                |
| Straight-line rent and other receivables, net of allowance<br>for doubtful accounts of \$697 and \$956, respectively   | 57,004             | 54,183               |
| Other assets, net  | 15,424             | 14,652               |
| <b>Total assets</b>  | <b>\$3,506,373</b> | <b>\$3,451,534</b>   |
| <b>LIABILITIES AND CAPITAL</b>   |                    |                      |
| <b>Liabilities:</b>  |                    |                      |
| Accounts payable and accrued expenses  | \$77,552           | \$83,543             |
| Distributions payable  | 26,042             | 25,973               |
| Tenant prepaids and security deposits  | 28,805             | 30,539               |
| Other liabilities  | 18,154             | 14,078               |
| Intangible lease liabilities, net  | 23,435             | 22,940               |
| Line of credit   | 69,000             | 37,000               |
| Senior unsecured notes   | 1,122,676          | 1,122,621            |
| Mortgage notes   | 269,477            | 249,424              |
| <b>Total liabilities</b>   | <b>1,635,141</b>   | <b>1,586,118</b>     |
| <b>Partners' Capital:</b>  |                    |                      |
| <b>General Partner:</b>  |                    |                      |
| OP Units, 924,569 and 922,131 issued and outstanding as of March 31, 2015 and<br>December 31, 2014, respectively       | 18,870             | 18,819               |
| <b>Limited Partners:</b>   |                    |                      |
| OP Units, 91,532,364 and 91,290,942 issued and outstanding as of March 31,<br>2015 and December 31, 2014, respectively | 1,868,152          | 1,863,050            |



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|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Accumulated other comprehensive loss | (27,794 )   | (28,487 )   |
| Total partners' capital              | 1,859,228   | 1,853,382   |
| Noncontrolling interests             | 12,004      | 12,034      |
| Total capital                        | 1,871,232   | 1,865,416   |
| Total liabilities and capital        | \$3,506,373 | \$3,451,534 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statements of Operations

(unaudited, in thousands, except per unit information)

|  | Three Months<br>Ended March 31, |          |
|--|---------------------------------|----------|
|  | 2015                            | 2014     |
| <b>REVENUES:</b>   |                                 |          |
| Rental revenues  | \$88,062                        | \$82,619 |
| Institutional capital management and other fees                | 378                             | 764      |
| Total revenues   | 88,440                          | 83,383   |
| <b>OPERATING EXPENSES:</b>                                     |                                 |          |
| Rental expenses  | 10,148                          | 12,402   |
| Real estate taxes  | 14,505                          | 13,197   |
| Real estate related depreciation and amortization              | 38,996                          | 36,433   |
| General and administrative                                     | 7,336                           | 6,834    |
| Impairment losses  | -                               | 4,359    |
| Total operating expenses                                       | 70,985                          | 73,225   |
| Operating income   | 17,455                          | 10,158   |
| <b>OTHER INCOME (EXPENSE):</b>                                 |                                 |          |
| Development profit, net of taxes                               | -                               | 728      |
| Equity in earnings of unconsolidated joint ventures, net       | 807                             | 3,613    |
| Gain on acquisitions and dispositions of real estate interests | 26,154                          | 2,045    |
| Interest expense   | (13,904)                        | (16,056) |
| Interest and other income (expense)                            | (18 )                           | 28       |
| Income tax expense and other taxes                             | (193 )                          | (57 )    |
| Income from continuing operations                              | 30,301                          | 459      |
| Income from discontinued operations                            | -                               | 9        |
| Consolidated net income of DCT Industrial                      |                                 |          |
| Operating Partnership LP                                       | 30,301                          | 468      |
| Net income attributable to noncontrolling interests            | (153 )                          | (133 )   |
| Net income attributable to OP Unitholders                      | 30,148                          | 335      |
| Distributed and undistributed earnings allocated to            |                                 |          |
| participating securities                                       | (143 )                          | (166 )   |
| Adjusted net income attributable to OP Unitholders             | \$30,005                        | \$169    |
| <b>EARNINGS PER OP UNIT - BASIC</b>                            |                                 |          |
| Income from continuing operations                              | \$0.32                          | \$0.00   |
| Income from discontinued operations                            | 0.00                            | 0.00     |
| Net income attributable to OP Unitholders                      | \$0.32                          | \$0.00   |
| <b>EARNINGS PER OP UNIT - DILUTED</b>                          |                                 |          |
| Income from continuing operations                              | \$0.32                          | \$0.00   |

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|   |        |        |
|---|--------|--------|
| Income from discontinued operations       | 0.00   | 0.00   |
| Net income attributable to OP Unitholders | \$0.32 | \$0.00 |
| WEIGHTED AVERAGE OP UNITS OUTSTANDING:    |        |        |
| Basic                                     | 92,389 | 85,443 |
| Diluted                                   | 92,718 | 85,706 |
| Distributions declared per OP Unit        | \$0.28 | \$0.28 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

(unaudited, in thousands)

|  | Three Months<br>Ended March 31, |         |
|--|---------------------------------|---------|
|  | 2015                            | 2014    |
| Consolidated net income of DCT Industrial Operating Partnership LP | \$30,301                        | \$468   |
| Other comprehensive income:  |                                 |         |
| Net derivative loss on cash flow hedging instruments               | (513 )                          | (328 )  |
| Net reclassification adjustment on cash flow hedging instruments   | 1,153                           | 1,156   |
| Other comprehensive income   | 640                             | 828     |
| Comprehensive income   | 30,941                          | 1,296   |
| Comprehensive income attributable to noncontrolling interests      | (100 )                          | (168 )  |
| Comprehensive income attributable to OP Unitholders                | \$30,841                        | \$1,128 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statement of Changes in Capital

(unaudited, in thousands)

|   | Total<br>Capital | General<br>Partner<br>OP Units |          | Limited Partners<br>OP Units |             | Accumulated                    |                                  |
|---|------------------|--------------------------------|----------|------------------------------|-------------|--------------------------------|----------------------------------|
|   |                  | Units                          | Amount   | Units                        | Amount      | Other<br>Comprehensive<br>Loss | Non-<br>controlling<br>Interests |
| Balance at December 31, 2014                    | \$1,865,416      | 922                            | \$18,819 | 91,291                       | \$1,863,050 | \$ (28,487 )                   | \$ 12,034                        |
| Net income                                      | 30,301           | -                              | 301      | -                            | 29,847      | -                              | 153                              |
| Other comprehensive income (loss)               | 640              | -                              | -        | -                            | -           | 693                            | (53 )                            |
| Issuance of OP Units, share-based               |                  |                                |          |                              |             |                                |                                  |
| compensation plans                              | (402 )           | -                              | -        | 244                          | (402 )      | -                              | -                                |
| Amortization of share-based<br>compensation     | 1,494            | -                              | -        | -                            | 1,494       | -                              | -                                |
| Distributions to OP Unitholders                 |                  |                                |          |                              |             |                                |                                  |
| and noncontrolling interests                    | (26,179 )        | -                              | (260 )   | -                            | (25,789 )   | -                              | (130 )                           |
| Redemption of limited partner OP<br>Units , net | (38 )            | -                              | -        | -                            | (38 )       | -                              | -                                |
| Conversion of limited partner OP<br>Units       |                  |                                |          |                              |             |                                |                                  |
| to OP Units of general partner                  | -                | 3                              | 10       | (3 )                         | (10 )       | -                              | -                                |
| Balance at March 31, 2015                       | \$1,871,232      | 925                            | \$18,870 | 91,532                       | \$1,868,152 | \$ (27,794 )                   | \$ 12,004                        |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(unaudited, in thousands)

|  | Three Months<br>Ended March 31, |          |
|--|---------------------------------|----------|
|  | 2015                            | 2014     |
| <b>OPERATING ACTIVITIES:</b>   |                                 |          |
| Consolidated net income of DCT Industrial Operating Partnership LP   | \$30,301                        | \$468    |
| Adjustments to reconcile consolidated net income of DCT Industrial Operating Partnership LP to<br>net cash provided by operating activities: |                                 |          |
| Real estate related depreciation and amortization  | 38,996                          | 36,433   |
| Gain on acquisitions and dispositions of real estate interests   | (26,154)                        | (2,045)  |
| Distributions of earnings from unconsolidated joint ventures   | 1,486                           | 1,351    |
| Equity in earnings of unconsolidated joint ventures, net   | (807)                           | (3,613)  |
| Impairment losses  | -                               | 4,359    |
| Share-based compensation   | 1,063                           | 1,038    |
| Straight-line rent   | (1,587)                         | (2,097)  |
| Other  | 239                             | 1,692    |
| Changes in operating assets and liabilities:   |                                 |          |
| Other receivables and other assets   | (6,033)                         | 4,282    |
| Accounts payable, accrued expenses and other liabilities   | (3,332)                         | (9,179)  |
| Net cash provided by operating activities  | 34,172                          | 32,689   |
| <b>INVESTING ACTIVITIES:</b>   |                                 |          |
| Real estate acquisitions   | (84,139)                        | (43,229) |
| Capital expenditures and development activities  | (47,543)                        | (38,693) |
| Proceeds from dispositions of real estate investments  | 85,615                          | 2,861    |
| Investments in unconsolidated joint ventures   | (91)                            | (771)    |
| Proceeds from casualties and involuntary conversion  | -                               | 205      |
| Distributions of investments in unconsolidated joint ventures  | 710                             | 16,487   |
| Other investing activities   | (813)                           | 6,715    |
| Net cash used in investing activities  | (46,261)                        | (56,425) |
| <b>FINANCING ACTIVITIES:</b>   |                                 |          |
| Proceeds from senior unsecured revolving line of credit  | 53,000                          | 12,000   |
| Repayments of senior unsecured revolving line of credit  | (21,000)                        | (17,000) |
| Principal payments on mortgage notes   | (2,253)                         | (5,282)  |
| Proceeds from the issuance of OP Units in exchange for contributions from the REIT, net  | -                               | 43,692   |
| Net settlement on issuance of share-based compensation awards  | (402)                           | (271)    |
| OP Unit redemptions  | (38)                            | (707)    |
| Distributions paid on OP Units   | (25,980)                        | (23,800) |
| Distributions paid to noncontrolling interests   | (130)                           | (84)     |
| Other financing activity   | -                               | (13)     |
| Net cash provided by financing activities  | 3,197                           | 8,535    |
| NET CHANGE IN CASH AND CASH EQUIVALENTS  | (8,892)                         | (15,201) |
| CASH AND CASH EQUIVALENTS, beginning of period   | 19,631                          | 32,226   |

|  |          |          |
|--|----------|----------|
| CASH AND CASH EQUIVALENTS, end of period                             | \$10,739 | \$17,025 |
| Supplemental Disclosures of Cash Flow Information                    |          |          |
| Cash paid for interest, net of capitalized interest                  | \$10,384 | \$12,445 |
| Supplemental Disclosures of Non-Cash Activities                      |          |          |
| Retirement of fully depreciated and amortized assets                 | \$3,262  | \$5,202  |
| Assumption of mortgage notes in connection with real estate acquired | \$22,958 | \$-      |

The accompanying notes are an integral part of these Consolidated Financial Statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 – Organization

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States (“U.S.”). As used herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term the “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

DCT was formed as a Maryland corporation in April 2002 and has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. DCT owns properties through the Operating Partnership and its subsidiaries. As of March 31, 2015, DCT owned approximately 95.4% of the outstanding equity interests in the Operating Partnership.

On November 17, 2014, we completed a one-for-four reverse stock split of our issued and outstanding common stock and a corresponding reverse split of the partnership interests of the Operating Partnership. The number of authorized shares and the par value of the common stock were not changed. All common stock/unit and per share/unit data for all periods presented in this Quarterly Report on Form 10-Q have been restated to give effect to the reverse stock split.

As of March 31, 2015, the Company owned interests in approximately 73.3 million square feet of properties leased to approximately 900 customers, including:

61.9 million square feet comprising 400 consolidated operating properties were 95.3% occupied;

8.1 million square feet comprising 24 unconsolidated properties were 95.1% occupied and which we operated on behalf of four institutional capital management partners;

0.8 million square feet comprising four consolidated properties under redevelopment; and

2.5 million square feet comprising 12 consolidated buildings in development.

In addition, the Company has seven projects under construction and several projects in predevelopment. See Note 3 – Investment in Properties for further details.

Note 2 – Summary of Significant Accounting Policies

Interim Financial Information



The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited Consolidated Financial Statements include all adjustments, consisting of normal recurring items, necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with our audited Consolidated Financial Statements as of December 31, 2014 and related notes thereto included in our Form 10-K filed on February 20, 2015.

#### Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the financial position, results of operations and cash flows of the Company, the Operating Partnership, their wholly-owned qualified REIT subsidiaries and taxable REIT subsidiaries, and their consolidated joint ventures in which they have a controlling interest.

Equity interests in the Operating Partnership held by entities other than DCT are classified within partners’ capital in the Operating Partnership’s financial statements and as noncontrolling interests in DCT’s financial statements. Equity interests in entities

consolidated into the Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests in consolidated entities. We also have noncontrolling partnership interests in unconsolidated institutional capital management and other joint ventures, which are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated in consolidation.

We hold interests in both consolidated and unconsolidated joint ventures. All joint ventures over which we have financial and operating control, and variable interest entities (“VIEs”) in which we have determined that we are the primary beneficiary, are included in the Consolidated Financial Statements. We use the equity method of accounting for joint ventures over which we do not have a controlling interest or where we do not exercise significant control over major operating and management decisions but where we exercise significant influence and include our share of earnings or losses of these joint ventures in our consolidated results of operations.

We analyze our joint ventures in accordance with GAAP to determine whether they are VIEs and, if so, whether we are the primary beneficiary. Our judgment with respect to our level of influence or control over an entity and whether we are the primary beneficiary of a VIE involves consideration of various factors including the form of our ownership interest, our representation on the entity’s board of directors, the size of our investment (including loans) and our ability to participate in major decisions. Our ability to correctly assess our influence or control over an entity affects the presentation of these investments in the Consolidated Financial Statements and, consequently, our financial position and results of operations.

#### Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Revenue Recognition

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect over the remaining lease term rather than currently, which are recorded as a straight-line rent receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation. The total increase to “Rental revenues” due to straight-line rent adjustments was approximately \$1.6 million and \$2.1 million for the three ended March 31, 2015 and 2014, respectively.

Tenant recovery income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as “Rental revenues” during the same period the related expenses are incurred. Tenant recovery income recognized as “Rental revenues” was approximately \$21.7 million \$20.0 million for the three March 31 2015 and 2014, respectively.

We maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. If a tenant fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances.

In connection with property acquisitions qualifying as business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to “Rental revenues” over the reasonably assured term of the related leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining

contractual lease term. The total net impact to “Rental revenues” due to the amortization of above and below market rents was an increase of approximately \$0.8 million \$0.4 million for the three months ended March 31, 2015 and 2014, respectively.

Early lease termination fees are recorded in “Rental revenues” on a straight-line basis over the estimated remaining contractual lease term or upon collection if collectability is not assured. The total net impact to “Rental revenues” due to early lease termination fees was approximately \$0.7 million and \$0.9 million for the three months ended March 31, 2015 and 2014, respectively.

We earn revenues from asset management fees, acquisition fees, property management fees and fees for other services pursuant to joint venture and other agreements. These are included in our Consolidated Statements of Operations in “Institutional capital management and other fees.” We recognize revenues from asset management fees, acquisition fees, property management fees and fees for other services when the related fees are earned and are realized or realizable.

We develop certain properties for specific buyers, called build-to-suit projects. We make certain judgments based on the specific terms of each project as to the amount and timing of recognition of profits from the project. Projects are generally accounted for using the percentage of completion method or full accrual method. Profits under the percentage of completion method are based on our estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. The percentage of completion estimates are based on a comparison of the contract expenditures incurred to the estimated final costs. Changes in job performance, job conditions and estimated profitability may result in revisions to the costs and income and are recognized in the period in which the revisions are determined. If the sale recognition criteria for using the percentage of completion or full accrual methods are not met, we apply another recognition method provided by GAAP, such as the installment or cost recovery methods. The profit recognized from these projects is reported net of estimated taxes, when applicable, and is included in "Development profit, net of taxes" in our Consolidated Statements of Operations.

#### New Accounting Standards

In May 2014, the FASB issued an ASU that requires companies to recognize revenue from contracts with customers based upon the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. The Company is in the process of evaluating the impact this guidance will have on our Consolidated Financial Statements.

In February 2015, the FASB issued an ASU that modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The guidance is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the potential impact this guidance will have on our Consolidated Financial Statements.

In April 2015, the FASB issued an ASU that requires debt issuance costs related to a recognized liability to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. The guidance is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company does not expect the ASU to have a material effect on the Company's results of operations, however, it will impact Consolidated Balance Sheet presentation and Consolidated Financial Statement disclosures related to the Company's debt issuance costs.

#### Note 3 – Investment in Properties

Our consolidated investment in properties consists of operating properties, properties under development, redevelopment properties, properties in pre-development and land held for future development or other purposes. The historical cost of our investment in properties was (in thousands):

|                      | March 31,<br>2015 | December<br>31,<br>2014 |
|----------------------|-------------------|-------------------------|
| Operating properties | \$3,713,273       | \$3,635,287             |

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|   |                    |                    |
|---|--------------------|--------------------|
| Properties under development                      | 233,207            | 241,934            |
| Properties under redevelopment                    | 45,269             | 50,931             |
| Properties in pre-development including land held | 41,715             | 32,223             |
| <b>Total Investment in Properties</b>             | <b>4,033,464</b>   | <b>3,960,375</b>   |
| Less accumulated depreciation and amortization    | (714,193 )         | (703,840 )         |
| <b>Net Investment in Properties</b>               | <b>\$3,319,271</b> | <b>\$3,256,535</b> |

Acquisition Activity

During the three months ended March 31, 2015, we acquired nine buildings totaling 1.6 million square feet. These properties located in the Atlanta, Denver and Northern California markets were acquired for a total purchase price of approximately \$98.4 million. In addition, we incurred acquisition costs of approximately \$1.3 million during the three months ended March 31, 2015, included in “General and administrative” in our Consolidated Statements of Operations.

## Development Activity

Our properties under development include the following:

Twelve buildings totaling 2.5 million square feet are currently in lease-up as shell-complete activities have been completed as of March 31, 2015, including two buildings totaling 0.2 million square feet that were shell-complete upon acquisition. These properties are 10.2% leased based on weighted average square feet; and Four projects under construction totaling 1.6 million square feet and three projects under construction and under contract for sale totaling 0.2 million square feet as of March 31, 2015. During the three months ended March 31, 2015, we acquired 20.7 acres of land in the Chicago market for approximately \$7.3 million that is held for future development.

## Disposition Activity

During the three months ended March 31, 2015, we sold six consolidated operating properties totaling 2.3 million square feet from our Memphis market to third-parties for gross proceeds of approximately \$86.7 million. We recognized gains of approximately \$26.2 million on the disposition of these six properties.

## Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see “Note 2—Summary of Significant Accounting Policies” for additional information) was approximately \$3.9 million and \$3.5 million three months ended March 31, 2015 and 2014, respectively. Our intangible lease assets and liabilities include the following as of March 31, 2015 and December 31, 2014 (in thousands):

|                               | March 31, 2015 |                          |            | December 31, 2014 |                          |            |
|-------------------------------|----------------|--------------------------|------------|-------------------|--------------------------|------------|
|                               | Gross          | Accumulated Amortization | Net        | Gross             | Accumulated Amortization | Net        |
| Other intangible lease assets | \$86,014       | \$ (35,356 )             | \$50,658   | \$81,996          | \$ (33,031 )             | \$48,965   |
| Above market rent             | \$4,978        | \$ (1,902 )              | \$3,076    | \$4,519           | \$ (1,773 )              | \$2,746    |
| Below market rent             | \$(31,288)     | \$ 7,853                 | \$(23,435) | \$(30,266)        | \$ 7,326                 | \$(22,940) |

## Note 4 – Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of operating and developing industrial real estate. Our investments in these joint ventures are included in “Investments in and advances to unconsolidated joint ventures” in our Consolidated Balance Sheets.

The following table summarizes our unconsolidated joint ventures as of March 31, 2015 and December 31, 2014 (dollars in thousands):

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|  | As of March 31,<br>2015 | Number<br>of<br>Buildings | Investments in and<br>Advances to as of |                         |
|--|-------------------------|---------------------------|---|-------------------------|
| Unconsolidated Joint Ventures                      | Ownership<br>Percentage |                           | March<br>31,<br>2015                    | December<br>31,<br>2014 |
| <b>Institutional Joint Ventures:</b>               |                         |                           |   |                         |
| DCT/SPF Industrial Operating LLC                   | 20.0%                   | 13                        | \$39,356                                | \$ 39,744               |
| TRT-DCT Venture III                                | 10.0%                   | 4                         | 1,203                                   | 1,196                   |
| Total Institutional Joint Ventures                 |                         | 17                        | 40,559                                  | 40,940                  |
| <b>Other:</b>                                      |                         |                           |   |                         |
| Stirling Capital Investments (SCLA) <sup>(1)</sup> | 50.0%                   | 6                         | 44,223                                  | 45,342                  |
| IDI/DCT, LLC                                       | 50.0%                   | 1                         | 3,989                                   | 4,363                   |
| IDI/DCT Buford, LLC (land only)                    | 75.0%                   | -                         | 4,076                                   | 4,083                   |
| Total Other  |                         | 7                         | 52,288                                  | 53,788                  |
| Total  |                         | 24                        | \$92,847                                | \$ 94,728               |

<sup>(1)</sup> Although we contributed 100% of the initial cash equity capital required by the venture, our partners retain certain participant rights in the venture's available cash flows.

## Guarantees

There are no lines of credit or side agreements related to, or between, our unconsolidated joint ventures and us, and there are no derivative financial instruments between our unconsolidated joint ventures and us. In addition, we believe we have no material exposure to financial guarantees.

## Note 5 – Financial Instruments and Hedging Activities

## Fair Value of Financial Instruments

As of March 31, 2015 and December 31, 2014, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

|   | As of March 31, 2015 |                      | As of December 31, 2014 |                      |
|---|----------------------|----------------------|-------------------------|----------------------|
|   | Carrying Amounts     | Estimated Fair Value | Carrying Amounts        | Estimated Fair Value |
| <b>Borrowings<sup>(1)</sup>:</b>                    |                      |                      |                         |                      |
| Senior unsecured revolving credit facility          | \$69,000             | \$69,000             | \$37,000                | \$37,000             |
| Fixed rate debt <sup>(2)</sup>                      | \$1,167,153          | \$1,273,806          | \$1,147,045             | \$1,238,671          |
| Variable rate debt                                  | \$225,000            | \$226,243            | \$225,000               | \$226,431            |
| <b>Interest rate contracts:</b>                     |                      |                      |                         |                      |
| Interest rate swap asset (liability) <sup>(3)</sup> | \$(279 )             | \$(279 )             | \$(167 )                | \$(167 )             |

(1) The fair values of our borrowings were estimated using a discounted cash flow methodology. Credit spreads and market interest rates used to determine the fair value of these instruments are based on unobservable Level 3 inputs which management has determined to be its best estimate of current market values.

(2) The carrying amount of our fixed rate debt includes premiums and discounts.

(3) The fair value of our interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows based on an expectation of future interest rates derived from Level 2 observable market interest rate curves. We also incorporate a credit valuation adjustment, which is derived using unobservable Level 3 inputs, to appropriately reflect both our nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurement. The asset or liability is included in "Other assets" or "Other liabilities," respectively, in our Consolidated Balance Sheets. The following table displays a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2015 and 2014. The table also displays gains and losses due to changes in fair value, including both realized and unrealized, recognized in the Consolidated Statements of Operations for Level 3 assets and liabilities. When assets and liabilities are transferred between levels, we recognize the transfer at the beginning of the period. There were no transfers between levels during



the three months ended March 31, 2015 and 2014.

|  | During the<br>Three Months<br>Ended March<br>31, |       |
|--|--|-------|
|  | 2015   | 2014  |
| <b>Level 3 Assets (Liabilities):</b>                                   |  |       |
| <b>Interest Rate Swaps:</b>  |  |       |
| Beginning balance at January 1   | \$(167)  | \$212 |
| Net unrealized loss included in accumulated other comprehensive income | (149)  | (177) |
| Realized loss recognized in interest expense                           | 37   | 38    |
| Ending balance at March 31   | \$(279)  | \$73  |

#### Hedging Activities

To manage interest rate risk for variable rate debt and issuances of fixed rate debt, we primarily use treasury locks and interest rate swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Such derivatives have been used to hedge the variability in

existing and future interest expense associated with existing variable rate borrowings and forecasted issuances of debt, which may include the issuances of new debt, as well as refinancing of existing debt upon maturity.

Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

For derivatives designated as “cash flow” hedges, the effective portion of the changes in the fair value of the derivative is initially reported in “Other comprehensive income (“OCI”)” in our Consolidated Statements of Comprehensive Income (i.e., not included in earnings) and subsequently reclassified into earnings when the hedged transaction affects earnings or the hedging relationship is no longer effective at which time the ineffective portion of the derivative’s changes in fair value is recognized directly into earnings. We assess the effectiveness of each hedging relationship whenever financial statements are issued or earnings are reported and at least every three months. We do not use derivatives for trading or speculative purposes.

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The pay-fixed, receive-floating swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rate swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of March 31, 2015 and December 31, 2014, we had borrowings payable subject to pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately \$6.9 million and \$7.0 million, respectively.

The following table presents the effect of our derivative financial instruments on our accompanying consolidated financial statements for the three months ended March 31, 2015 and 2014 (in thousands):

|   | Three Months<br>Ended March 31, |           |
|---|---------------------------------|-----------|
|   | 2015                            | 2014      |
| <b>Derivatives in Cash Flow Hedging Relationships</b> |                                 |           |
| <b>Interest Rate Swaps:</b>                           |                                 |           |
| <b>Amount of loss recognized in OCI for</b>           |                                 |           |
| effective portion of derivatives                      | \$(513 )                        | \$(328 )  |
| Amount of loss reclassified from accumulated OCI      | \$(1,153)                       | \$(1,156) |

for effective portion of derivatives into interest

expense and equity in earnings of unconsolidated

joint ventures, net

Amounts reported in “Accumulated other comprehensive loss” related to derivatives will be amortized to “Interest expense” as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately \$4.2 million will be reclassified from “Accumulated other comprehensive loss” to “Interest expense” resulting in an increase in interest expense.

#### Note 6 – Outstanding Indebtedness

As of March 31, 2015, our outstanding indebtedness of approximately \$1.5 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$42.3 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2014, our outstanding indebtedness of approximately \$1.4 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$42.5 million representing our proportionate share of debt associated with unconsolidated joint ventures.

As of March 31, 2015, the gross book value of our consolidated properties was approximately \$4.0 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. As of December 31, 2014, the gross book value of our consolidated properties was approximately \$4.0 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. Our debt has various covenants with which we were in compliance as of March 31, 2015 and December 31, 2014.

## Line of Credit

As of March 31, 2015, we had \$69.0 million outstanding and \$202.4 million available under our senior unsecured revolving credit facility, net of four letters of credit totaling \$28.6 million. As of December 31, 2014, we had \$37.0 million outstanding and \$243.5 million available under our senior unsecured revolving credit facility, net of three letters of credit totaling \$19.5 million.

## Debt Assumptions

During the three months ended March 31, 2015, we assumed two mortgage notes with aggregate outstanding balances totaling \$21.1 million in connection with property acquisitions. We recorded a \$1.9 million premium in connection with the assumption of these notes.

## 2015 Debt Refinancing

On April 8, 2015, we amended and restated our existing \$225.0 million senior unsecured term loan and \$300.0 million senior unsecured revolving credit facility with our syndicated bank group. The senior unsecured term loan was disaggregated into two tranches, \$125.0 million and \$100.0 million, with maturity dates of April 8, 2020 and April 8, 2017, respectively. The senior unsecured revolving credit facility's commitment was increased to \$400.0 million with a maturity date of April 8, 2019. Additionally, we received a commitment option for an additional \$175.0 million senior unsecured term loan with a term of two years.

## Guarantee of Debt

DCT has guaranteed the Operating Partnership's obligations with respect to the senior unsecured notes and the senior unsecured revolving credit facility.

## Note 7 – Noncontrolling Interests

## DCT

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests of DCT primarily represent limited partnership interests in the Operating Partnership and equity interests held by third party partners in consolidated real estate investments, including related parties as discussed in Note 9 – Related Party Transactions.

The following table illustrates the noncontrolling interests' share of consolidated net income during the three ended March 31, 2015 and 2014 (in thousands):

|  | Three Months<br>Ended March<br>31, 2015 |         |
|--|---|---------|
|  | 2015                                    | 2014    |
| Noncontrolling interests' share of income from continuing operations   | \$(1,556)                               | \$(151) |
| Noncontrolling interests' share of income from discontinued operations | -                                       | -       |
| Net income attributable to noncontrolling interests                    | \$(1,556)                               | \$(151) |

Operating Partnership

Equity interests in the Operating Partnership held by third-parties and LTIP Units, as defined in Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership, are classified as permanent equity of the Operating Partnership and as noncontrolling interests of DCT in the Consolidated Balance Sheets.

All income attributable to noncontrolling interest holders for all periods presented in the Operating Partnership's Consolidated Statements of Operations is income from continuing operations.

Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership

On November 17, 2014, we completed a one-for-four reverse stock split of our issued and outstanding common stock and a corresponding reverse split of the partnership interests of the Operating Partnership. The number of authorized shares and the par value of the common stock were not changed. All common stock/unit and per share/unit data for all periods presented in this Quarterly Report on Form 10-Q have been restated to give effect to the reverse stock split.

DCT

Common Stock

As of March 31, 2015, approximately 88.2 million shares of common stock were issued and outstanding.

During the three months ended March 31, 2015 and 2014, we issued approximately 0.1 million shares of common stock in each corresponding period related to vested shares of restricted stock, phantom shares and stock option exercises.

Operating Partnership

OP Units

For each share of common stock issued by DCT, the Operating Partnership issues a corresponding OP Unit to DCT in exchange for the contribution of the proceeds from the stock issuances.

As of March 31, 2015 and December 31, 2014, DCT owned approximately 95.4% of the outstanding equity interests in the Operating Partnership. The remaining common partnership interests in the Operating Partnership were owned by executives of the Company and non-affiliated limited partners.

DCT holds its interests through both general and limited partner units. The Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Partnership Agreement") stipulates that the general partner shall at all times own a minimum of 1.0% of all outstanding OP Units. As a result, each reporting period certain of DCT's limited partner units are converted to general partner units to satisfy this requirement as illustrated in the Consolidated Statement of Changes in Capital.

Limited partners have the right to require the Company to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Partnership Agreement), provided that such OP Units have been outstanding for at least one year. The Company may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Shares Amount (generally one share of DCT's common stock for each OP Unit), as defined in the Partnership Agreement.

During the three months ended March 31, 2015 and 2014, approximately 0.1 million and 0.1 million OP Units were redeemed for approximately \$38,000 and \$0.7 million in cash and approximately 0.1 million and 0.1 million shares of DCT common stock, respectively.

As of March 31, 2015 and December 31, 2014, there were approximately 4.3 million and 4.2 million outstanding OP Units held by entities other than DCT and redeemable, with an aggregate redemption value of approximately \$149.0 million and \$149.8 million based on the \$34.66 and \$35.66 per share closing price of DCT's common stock on March 31, 2015 and December 31, 2014, respectively.

## Equity-Based Compensation

On October 10, 2006, the Company established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors, as defined in the plan. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards fully vest. Such expense is included in “General and administrative” expense in our Consolidated Statements of Operations. Options issued under the Long-Term Incentive Plan are valued using the Black-Scholes option pricing model, which relies on assumptions we make related to the expected term of the options, volatility, dividend yield and risk-free interest rate. During the three months ended March 31, 2015, we did not grant any stock options.

## Restricted Stock

Holders of restricted stock have voting rights and rights to receive dividends. Restricted stock may not be sold, assigned, transferred, pledged or otherwise disposed of and is subject to a risk of forfeiture prior to the expiration of the applicable vesting period. Restricted stock is recorded at fair value on the date of grant and amortized to compensation expense on a straight-line basis over the service period during which term the stock fully vests. Restricted stock generally vests ratably over a period of four or five years, depending

on the grant. During the three months ended March 31, 2015, we granted approximately 28,000 shares of restricted stock to certain officers and employees at the weighted average fair market value of \$37.68 per share.

#### LTIP Units

Pursuant to the Long-Term Incentive Plan, as amended, the Company may grant limited partnership interests in the Operating Partnership called LTIP Units. Vested LTIP Units may be redeemed by the Company in cash or DCT common stock, at the discretion of the Company, on a one-for-one basis with common shares, subject to certain restrictions of the Partnership Agreement. LTIP Units receive distributions equally along with common shares. LTIP Units are valued by reference to the value of DCT's common stock and generally vest ratably over a period of four to five years, depending on the grant. LTIP Unit equity compensation is amortized into expense over the service period during which the units vest.

During the three months ended March 31, 2015, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of approximately \$7.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 26% and a weighted average risk-free interest rate of 1.28%. During the three months ended March 31, 2015, approximately 5,000 vested LTIP Units were converted into approximately 5,000 common shares. As of March 31, 2015, approximately 1.1 million LTIP Units were outstanding of which approximately 0.6 million were vested.

During the three months ended March 31, 2014, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of approximately \$4.1 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 40% and risk-free interest rate of 1.46%. During the three months ended March 31, 2014, approximately 8,000 vested LTIP Units were converted into approximately 8,000 common shares. As of December 31, 2014, approximately 0.9 million LTIP Units were outstanding of which approximately 0.4 million were vested.

#### Note 9 – Related Party Transactions

##### 8<sup>th</sup> & Vineyard Consolidated Joint Venture

In 2010, we entered into the 8<sup>th</sup> & Vineyard joint venture with Iowa Investments, LLC, an entity owned by one of our executives, to purchase 19.3 acres of land held for development in Southern California. Pursuant to the joint venture agreement, we will first receive a return of all capital along with a preferred return. Thereafter, Iowa Investments, LLC will receive a return of all capital along with a promoted interest. The land parcel acquired by 8<sup>th</sup> & Vineyard was purchased from an entity in which the same executive had a minority ownership. The total acquisition price of \$4.7 million was determined to be at fair value.

As of December 31, 2014, we completed the construction and sale of two buildings.

##### Southern California Consolidated Ventures

We entered into four agreements, two in December 2010 and two in January 2011, whereby we acquired a weighted average ownership interest, based on square feet, of approximately 48.4% in five bulk industrial buildings located in the Southern California market. Entities controlled by one of our executives have a weighted average ownership in these properties of approximately 43.7%, based on square feet, and the remaining 7.9% is held by a third-party. Each venture partner will earn returns in accordance with their ownership interests. We have controlling rights including management of the operations of the properties and we have consolidated the properties in accordance with GAAP.



The total acquisition price of \$46.3 million was determined to be at fair value.

Note 10 – Earnings per Share/Unit

We use the two-class method of computing earnings per common share/unit which is an earnings allocation formula that determines earnings per share/unit for common stock/unit and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Under the two-class method, earnings per common share/unit are computed by dividing the sum of distributed earnings to common stockholders/OP Unitholders and undistributed earnings allocated to common stockholders/OP Unitholders by the weighted average number of common shares/units outstanding for the period.

A participating security is defined by GAAP as an unvested share-based payment award containing non-forfeitable rights to dividends and must be included in the computation of earnings per share/unit pursuant to the two-class method. Nonvested restricted stock and LTIP Units are considered participating securities as these share-based awards contain non-forfeitable rights to dividends irrespective of whether the awards ultimately vest or expire.

DCT

The following table sets forth the computation of basic and diluted earnings per common share for the three months ended March 31, 2015 and 2014 (in thousands, except per share amounts):

|   | Three Months<br>Ended March 31, |        |
|---|---------------------------------|--------|
|   | 2015                            | 2014   |
| <b>Earnings per Common Share – Basic and Diluted</b>  |                                 |        |
| <b>Numerator</b>  |                                 |        |
| Income from continuing operations   | \$30,301                        | \$459  |
| Income from continuing operations attributable to noncontrolling interests                      | (1,556 )                        | (151 ) |
| Income from continuing operations attributable to common stockholders                           | 28,745                          | 308    |
| Less: Distributed and undistributed earnings allocated to participating securities              | (143 )                          | (166 ) |
| Numerator for adjusted income from continuing operations attributable to<br>common stockholders | 28,602                          | 142    |
| Income from discontinued operations   | -                               | 9      |
| Noncontrolling interests' share of income from discontinued operations                          | -                               | -      |
| Numerator for income from discontinued operations attributable to common stockholders           | -                               | 9      |
| Adjusted net income attributable to common stockholders   | \$28,602                        | \$151  |
| <b>Denominator</b>  |                                 |        |
| Weighted average common shares outstanding – basic  | 88,090                          | 80,986 |
| Effect of dilutive securities:  |                                 |        |
| Stock options and phantom stock   | 329                             | 263    |
| Weighted average common shares outstanding – diluted  | 88,419                          | 81,249 |
| <b>Earnings per Common Share – Basic</b>  |                                 |        |
| Income from continuing operations   | \$0.32                          | \$0.00 |
| Income from discontinued operations   | 0.00                            | 0.00   |
| Net income attributable to common stockholders  | \$0.32                          | \$0.00 |
| <b>Earnings per Common Share – Diluted</b>  |                                 |        |
| Income from continuing operations   | \$0.32                          | \$0.00 |
| Income from discontinued operations   | 0.00                            | 0.00   |
| Net income attributable to common stockholders  | \$0.32                          | \$0.00 |

## Operating Partnership

The following table sets forth the computation of basic and diluted earnings per common unit for the three months ended March 31, 2015 and 2014 (in thousands, except per unit amounts):

|   | Three Months<br>Ended March 31, |        |
|---|---------------------------------|--------|
|   | 2015                            | 2014   |
| <b>Earnings per OP Unit – Basic and Diluted</b>   |                                 |        |
| <b>Numerator</b>  |                                 |        |
| Income from continuing operations   | \$30,301                        | \$459  |
| Income from continuing operations attributable to noncontrolling interests              | (153 )                          | (133 ) |
| Income from continuing operations attributable to OP Unitholders                        | 30,148                          | 326    |
| Less: Distributed and undistributed earnings allocated to participating securities      | (143 )                          | (166 ) |
| Numerator for adjusted income from continuing operations attributable to OP Unitholders | 30,005                          | 160    |
| Income from discontinued operations   | -                               | 9      |
| Noncontrolling interests' share of income from discontinued operations                  | -                               | -      |
| Numerator for income from discontinued operations attributable to OP Unitholders        | -                               | 9      |
| Adjusted net income attributable to OP Unitholders                                      | \$30,005                        | \$169  |
| <b>Denominator</b>  |                                 |        |
| Weighted average OP Units outstanding – basic   | 92,389                          | 85,443 |
| <b>Effect of dilutive securities:</b>   |                                 |        |
| Stock options and phantom stock   | 329                             | 263    |
| Weighted average OP Units outstanding – diluted   | 92,718                          | 85,706 |
| <b>Earnings per OP Unit – Basic</b>   |                                 |        |
| Income from continuing operations   | \$0.32                          | \$0.00 |
| Income from discontinued operations   | 0.00                            | 0.00   |
| Net income attributable to OP Unitholders   | \$0.32                          | \$0.00 |
| <b>Earnings per OP Units – Diluted</b>  |                                 |        |
| Income from continuing operations   | \$0.32                          | \$0.00 |
| Income from discontinued operations   | 0.00                            | 0.00   |
| Net income attributable to OP Unitholders   | \$0.32                          | \$0.00 |

## DCT and the Operating Partnership

## Potentially Dilutive Shares

For the three months ended March 31, 2015, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 4.3 million OP Units because their effect would be anti-dilutive. During the same period ended March 31, 2014, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 4.5 million OP Units because their effect would be anti-dilutive.



## Note 11 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. Certain reclassifications have been made to prior year results to conform to the current presentation related to discontinued operations (see "Note 12 – Discontinued Operations and Assets Held" for Sale for additional information).

The following table reflects our total assets, net of accumulated depreciation and amortization, by segment, as of March 31, 2015 and December 31, 2014 (in thousands):

|   | March 31,<br>2015  | December<br>31, 2014 |
|---|--------------------|----------------------|
| <b>Segments:</b>                        |                    |                      |
| East assets                             | \$978,565          | \$1,010,263          |
| Central assets                          | 1,078,667          | 1,067,616            |
| West assets                             | 1,333,544          | 1,245,990            |
| <b>Total segment net assets</b>         | <b>3,390,776</b>   | <b>3,323,869</b>     |
| <b>Non-segment assets:</b>              |                    |                      |
| Non-segment cash and cash equivalents   | 6,852              | 16,653               |
| Other non-segment assets <sup>(1)</sup> | 108,745            | 111,012              |
| <b>Total assets</b>                     | <b>\$3,506,373</b> | <b>\$3,451,534</b>   |

<sup>(1)</sup> Other non-segment assets primarily consist of investments in and advances to unconsolidated joint ventures, deferred loan costs, other receivables and other assets.

The following table sets forth the rental revenues of our segments in continuing operations for the three months ended March 31, 2015 and 2014 (in thousands):

|   | Three Months<br>Ended March 31, |                 |
|---|---------------------------------|-----------------|
|   | 2015                            | 2014            |
| East  | \$27,452                        | \$28,972        |
| Central   | 32,683                          | 31,612          |
| West  | 27,927                          | 22,035          |
| Rental revenues                                 | 88,062                          | 82,619          |
| Institutional capital management and other fees | 378                             | 764             |
| <b>Total revenues</b>                           | <b>\$88,440</b>                 | <b>\$83,383</b> |

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The following table sets forth property net operating income of our segments in continuing operations and a reconciliation of our property NOI to our reported “Income from continuing operations” for the three months ended March 31, 2015 and 2014 (in thousands):

|  | Three Months<br>Ended March 31, |          |
|--|---------------------------------|----------|
|  | 2015                            | 2014     |
| East   | \$19,670                        | \$20,139 |
| Central  | 22,276                          | 20,220   |
| West   | 21,463                          | 16,661   |
| Property NOI <sup>(1)</sup>                                    | 63,409                          | 57,020   |
| Institutional capital management and other fees                | 378                             | 764      |
| Gain on acquisitions and dispositions of real estate interests | 26,154                          | 2,045    |
| Real estate related depreciation and amortization              | (38,996)                        | (36,433) |
| Development profit, net of taxes                               | -                               | 728      |
| General and administrative                                     | (7,336 )                        | (6,834 ) |
| Impairment losses  | -                               | (4,359 ) |
| Equity in earnings of unconsolidated joint ventures, net       | 807                             | 3,613    |
| Interest expense   | (13,904)                        | (16,056) |
| Interest and other income (expense)                            | (18 )                           | 28       |
| Income tax expense and other taxes                             | (193 )                          | (57 )    |
| Income from continuing operations                              | \$30,301                        | \$459    |

<sup>(1)</sup> Property net operating income (“property NOI”) is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gains, impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income (expense) and income tax benefit (expense) and other taxes. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties such as depreciation, amortization, impairment, general and administrative expenses and interest expense. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income (loss) attributable to common stockholders, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

Note 12 – Discontinued Operations and Assets Held for Sale

Assets Held for Sale

As of March 31, 2015, there were no properties held for sale.

Discontinued Operations

We report results of operations from real estate assets that meet the definition of a component of an entity, have been sold or meet the criteria to be classified as held for sale, for which the disposal or expected disposal represents a

strategic shift in operations, as discontinued operations. Real estate assets that meet the definition of a component of an entity and were disposed of or held for sale prior to January 1, 2014 are reported as discontinued operations. See “Note 2 – Summary of Significant Accounting Policies” for additional information regarding discontinued operations.

The following table summarizes the components of income from discontinued operations for the three months ended March 31, 2015 and 2014 (in thousands):

|                                       | Three<br>Months<br>Ended<br>March 31,<br>2015 | 2014  |
|---------------------------------------|---|-------|
| Rental revenues                       | \$-   | \$304 |
| Rental expenses and real estate taxes | -   | (85 ) |
| General and administrative            | -   | (27 ) |
| Operating income                      | -   | 192   |
| Interest and other expense            | -   | (19 ) |
| Income tax expense and other taxes    | -   | (32 ) |
| Operating income and other income     | -   | 141   |
| Impairment losses                     | -   | (132) |
| Income from discontinued operations   | \$-   | \$9   |

#### Note 13 – Condensed Consolidating Financial Information

During October 2013, the Operating Partnership issued \$275.0 million aggregate principal amount of 4.50% senior notes at 99.038% of face value in a private placement. The senior notes are jointly and severally, fully and unconditionally guaranteed by DCT and certain of the Company's wholly owned subsidiaries. During May 2014, we completed the exchange of these notes for SEC registered notes having substantially identical terms.

The following tables present the condensed consolidated financial information for (a) DCT Industrial Trust, Inc. ("Parent" and a guarantor), (b) DCT Industrial Operating Partnership LP ("Subsidiary Issuer"), (c) on a combined basis, the guarantor subsidiaries ("Subsidiary Guarantors"), and (d) on a combined basis, the non-guarantor subsidiaries ("Non-Guarantor Subsidiaries"). Additional columns present consolidating adjustments and consolidated totals as of March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and 2014.

Certain of our subsidiaries may be released from their guarantees, primarily due to the disposition of properties. These changes in guarantors are reflected retrospectively for all periods presented.

Separate financial statements of the Subsidiary Guarantors are not presented because the guarantee by each 100% owned Subsidiary Guarantor is full and unconditional, joint and several. Furthermore, there are no significant legal restrictions on the Parent's ability to obtain funds from its subsidiaries by dividend or loan.

Investments in consolidated subsidiaries are accounted for using the equity method for purposes of the combined presentation. The consolidating adjustments principally relate to the elimination of investments in consolidated subsidiaries and intercompany balances and transactions.



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Condensed Consolidated Balance Sheets

March 31, 2015

(in thousands)

(unaudited)

|   | Parent      | Subsidiary<br>Issuer | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total<br>Consolidated |
|---|-------------|----------------------|--------------------------|-------------------------------|------------------------------|-----------------------|
| <b>ASSETS</b>                                     |             |                      |                          |                               |                              |                       |
| Land  | \$-         | \$-                  | \$821,082                | \$ 150,912                    | \$-                          | \$971,994             |
| Buildings and improvements                        | -           | -                    | 2,460,184                | 419,729                       | -                            | 2,879,913             |
| Intangible lease assets                           | -           | -                    | 63,527                   | 27,465                        | -                            | 90,992                |
| Construction in progress                          | -           | -                    | 74,851                   | 15,714                        | -                            | 90,565                |
| Total investment in properties                    | -           | -                    | 3,419,644                | 613,820                       | -                            | 4,033,464             |
| Less accumulated depreciation<br>and amortization | -           | -                    | (610,243 )               | (103,950 )                    | -                            | (714,193 )            |
| Net investment in properties                      | -           | -                    | 2,809,401                | 509,870                       | -                            | 3,319,271             |
| Investments in and advances to<br>unconsolidated  |             |                      |                          |                               |                              |                       |
| joint ventures                                    | -           | 92,242               | 605                      | -                             | -                            | 92,847                |
| Net investment in real estate                     | -           | 92,242               | 2,810,006                | 509,870                       | -                            | 3,412,118             |
| Cash and cash equivalents                         | -           | 14,400               | -                        | -                             | (3,661 )                     | 10,739                |
| Restricted cash                                   | -           | 1                    | 162                      | 3,439                         | -                            | 3,602                 |
| Deferred loan costs, net                          | -           | 7,061                | 53                       | 372                           | -                            | 7,486                 |
| Straight-line rent and other<br>receivables, net  | -           | 165                  | 48,528                   | 8,311                         | -                            | 57,004                |
| Other assets, net                                 | -           | 3,886                | 7,101                    | 4,437                         | -                            | 15,424                |
| Intercompany receivables, net                     | 24,740      | 95,731               | 8,862                    | -                             | (129,333 )                   | -                     |
| Investment in subsidiaries                        | 1,756,428   | 2,876,591            | 28,055                   | -                             | (4,661,074 )                 | -                     |
| Total assets                                      | \$1,781,168 | \$3,090,077          | \$2,902,767              | \$ 526,429                    | \$(4,794,068 )               | \$3,506,373           |
| <b>LIABILITIES AND EQUITY</b>                     |             |                      |                          |                               |                              |                       |
| <b>Liabilities:</b>                               |             |                      |                          |                               |                              |                       |
| Accounts payable and accrued<br>expenses          | \$-         | \$12,801             | \$53,652                 | \$ 14,760                     | \$(3,661 )                   | \$77,552              |
| Intercompany payables, net                        | -           | 24,740               | 26,043                   | 78,550                        | (129,333 )                   | -                     |
| Distributions payable                             | 24,740      | 1,302                | -                        | -                             | -                            | 26,042                |
| Tenant prepaids and security<br>deposits          | -           | -                    | 25,119                   | 3,686                         | -                            | 28,805                |
| Other liabilities                                 | -           | 330                  | 14,014                   | 3,810                         | -                            | 18,154                |
| Intangible lease liabilities, net                 | -           | -                    | 19,081                   | 4,354                         | -                            | 23,435                |
| Line of credit                                    | -           | 69,000               | -                        | -                             | -                            | 69,000                |
| Senior unsecured notes                            | -           | 1,122,676            | -                        | -                             | -                            | 1,122,676             |
| Mortgage notes                                    | -           | -                    | 19,578                   | 249,899                       | -                            | 269,477               |
| Total liabilities                                 | 24,740      | 1,230,849            | 157,487                  | 355,059                       | (132,994 )                   | 1,635,141             |

|                              |             |             |             |            |                |             |
|------------------------------|-------------|-------------|-------------|------------|----------------|-------------|
| Equity:                      |             |             |             |            |                |             |
| Stockholders' equity         | 1,756,428   | 1,859,228   | 2,745,280   | 171,370    | (4,775,878 )   | 1,756,428   |
| Noncontrolling interests     | -           | -           | -           | -          | 114,804        | 114,804     |
| Total equity                 | 1,756,428   | 1,859,228   | 2,745,280   | 171,370    | (4,661,074 )   | 1,871,232   |
| Total liabilities and equity | \$1,781,168 | \$3,090,077 | \$2,902,767 | \$ 526,429 | \$(4,794,068 ) | \$3,506,373 |

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Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Three Months Ended March 31, 2015

(in thousands)

(unaudited)

|  | Parent | Subsidiary Issuer | Subsidiary Guarantors | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total Consolidated |
|--|--------|-------------------|-----------------------|----------------------------|---------------------------|--------------------|
| <b>REVENUES:</b>   |        |                   |                       |                            |                           |                    |
| Rental revenues  | \$-    | \$-               | \$ 73,802             | \$ 14,260                  | \$ -                      | \$ 88,062          |
| Institutional capital management and other fees                | -      | 25                | -                     | 434                        | (81 )                     | 378                |
| Total revenues   | -      | 25                | 73,802                | 14,694                     | (81 )                     | 88,440             |
| <b>OPERATING EXPENSES:</b>                                     |        |                   |                       |                            |                           |                    |
| Rental expenses  | -      | -                 | 8,906                 | 1,242                      | -                         | 10,148             |
| Real estate taxes  | -      | -                 | 11,870                | 2,635                      | -                         | 14,505             |
| Real estate related depreciation and amortization              | -      | -                 | 32,862                | 6,134                      | -                         | 38,996             |
| General and administrative                                     | -      | 6,473             | 81                    | 782                        | -                         | 7,336              |
| Total operating expenses                                       | -      | 6,473             | 53,719                | 10,793                     | -                         | 70,985             |
| Operating income (loss)  | -      | (6,448 )          | 20,083                | 3,901                      | (81 )                     | 17,455             |
| <b>OTHER INCOME (EXPENSE):</b>                                 |        |                   |                       |                            |                           |                    |
| Equity in earnings of unconsolidated joint ventures, net       | -      | 726               | -                     | -                          | 81                        | 807                |
| Gain on acquisitions and dispositions of real estate interests | -      | (20 )             | -                     | 26,174                     | -                         | 26,154             |
| Interest expense   | -      | (10,913 )         | (622 )                | (2,769 )                   | 400                       | (13,904 )          |
| Interest and other income (expense)                            | -      | 402               | (16 )                 | (4 )                       | (400 )                    | (18 )              |
| Income tax expense and other taxes                             | -      | (143 )            | (44 )                 | (6 )                       | -                         | (193 )             |
| Income (loss) from continuing operations                       | -      | (16,396 )         | 19,401                | 27,296                     | -                         | 30,301             |
| Equity in earnings of consolidated subsidiaries                | 28,745 | 46,544            | 14                    | -                          | (75,303 )                 | -                  |
| Consolidated net income  | 28,745 | 30,148            | 19,415                | 27,296                     | (75,303 )                 | 30,301             |
| Net income attributable to noncontrolling interests            | -      | -                 | -                     | -                          | (1,556 )                  | (1,556 )           |
| Net income attributable to common stockholders                 | 28,745 | 30,148            | 19,415                | 27,296                     | (76,859 )                 | 28,745             |
| Distributed and undistributed earnings allocated to            | -      | (143 )            | -                     | -                          | -                         | (143 )             |

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|  |          |          |          |          |            |          |
|--|----------|----------|----------|----------|------------|----------|
| participating securities                 |          |          |          |          |            |          |
| Adjusted net income attributable to      |          |          |          |          |            |          |
| common stockholders                      | \$28,745 | \$30,005 | \$19,415 | \$27,296 | \$(76,859) | \$28,602 |
| Net income                               | \$28,745 | \$30,148 | \$19,415 | \$27,296 | \$(75,303) | \$30,301 |
| Other comprehensive income (loss):       |          |          |          |          |            |          |
| Net derivative loss on cash flow hedging |          |          |          |          |            |          |
| instruments                              | -        | (364)    | -        | (149)    | -          | (513)    |
| Net reclassification adjustment on cash  |          |          |          |          |            |          |
| flow hedging                             |          |          |          |          |            |          |
| instruments                              | -        | 1,116    | -        | 37       | -          | 1,153    |
| Other comprehensive income (loss)        | -        | 752      | -        | (112)    | -          | 640      |
| Comprehensive income                     | 28,745   | 30,900   | 19,415   | 27,184   | (75,303)   | 30,941   |
| Comprehensive income attributable to     |          |          |          |          |            |          |
| noncontrolling interests                 | -        | -        | -        | -        | (1,511)    | (1,511)  |
| Comprehensive income attributable to     |          |          |          |          |            |          |
| common stockholders                      | \$28,745 | \$30,900 |          |          |            |          |