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)

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

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 x No ¨ DCT Industrial Operating Partnership LP. Yes x 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 x No ¨ DCT Industrial Operating Partnership LP Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 x	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 x (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 x DCT Industrial Operating Partnership LP Yes ¨ No x

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, 2015	December 31, 2014
ASSETS	(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 $697 and $956, respectively	57,004	54,183
Other assets, net	15,424	14,652
Total assets	$3,506,373	$3,451,534
LIABILITIES AND EQUITY		
Liabilities:		
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
Total liabilities	1,635,141	1,586,118
Equity:		
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 88,012,696 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	882	880

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 Ended March 31, 2015	2014
REVENUES:		
Rental revenues	$88,062	$82,619
Institutional capital management and other fees	378	764
Total revenues	88,440	83,383
OPERATING EXPENSES:		
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
OTHER INCOME (EXPENSE):		
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
EARNINGS PER COMMON SHARE - BASIC		
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
EARNINGS PER COMMON SHARE - DILUTED		
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
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.

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(unaudited, in thousands)

	Three Months 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 Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Non-controlling 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 (loss)	640	-	-	-	-	685	(45)
Issuance of common stock, stock-based compensation plans	(402)	81	1	(403)	-	-	-
Amortization of stock-based compensation	1,494	-	-	448	-	-	1,046
Distributions to common stockholders and noncontrolling interests	(26,179)	-	-	-	(24,707)	-	(1,472)
Redemptions of noncontrolling 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 Ended March 31, 2015	2014
OPERATING ACTIVITIES:		
Consolidated net income of DCT Industrial Trust Inc.	$30,301	$468
Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to 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
INVESTING ACTIVITIES:		
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)
FINANCING ACTIVITIES:		
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
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
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, 2015	December 31, 2014
ASSETS	(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 $697 and $956, respectively	57,004	54,183
Other assets, net	15,424	14,652
Total assets	$3,506,373	$3,451,534
LIABILITIES AND CAPITAL		
Liabilities:		
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
Total liabilities	1,635,141	1,586,118
Partners' Capital:		
General Partner:		
OP Units, 924,569 and 922,131 issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	18,870	18,819
Limited Partners:		
OP Units, 91,532,364 and 91,290,942 issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	1,868,152	1,863,050

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 Ended March 31, 2015	2014
REVENUES:		
Rental revenues	$88,062	$82,619
Institutional capital management and other fees	378	764
Total revenues	88,440	83,383
OPERATING EXPENSES:		
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
OTHER INCOME (EXPENSE):		
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
EARNINGS PER OP UNIT - BASIC		
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
EARNINGS PER OP UNIT - DILUTED		
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
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 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 Capital	General Partner OP Units Units	General Partner OP Units Amount	Limited Partners OP Units Units	Limited Partners OP Units Amount	Accumulated Other Comprehensive Loss	Non-controlling 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 compensation	1,494	-	-	-	1,494	-	-
Distributions to OP Unitholders and noncontrolling interests	(26,179)	-	(260)	-	(25,789)	-	(130)
Redemption of limited partner OP Units , net	(38)	-	-	-	(38)	-	-
Conversion of limited partner OP 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 Ended March 31,	
	2015	2014
OPERATING ACTIVITIES:		
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 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
INVESTING ACTIVITIES:		
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)
FINANCING ACTIVITIES:		
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 PARTERNSHIP 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, 2015	December 31, 2014
Operating properties	$3,713,273	$3,635,287

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
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

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):

Unconsolidated Joint Ventures	As of March 31, 2015		Investments in and Advances to as of	
	Ownership Percentage	Number of Buildings	March 31, 2015	December 31, 2014
Institutional Joint Ventures:				
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
Other:				
Stirling Capital Investments (SCLA)[1]	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

[1] 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
Borrowings[1]:				
Senior unsecured revolving credit facility	$69,000	$69,000	$37,000	$37,000
Fixed rate debt[2]	$1,167,153	$1,273,806	$1,147,045	$1,238,671
Variable rate debt	$225,000	$226,243	$225,000	$226,431
Interest rate contracts:				
Interest rate swap asset (liability)[3]	$(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 Three Months Ended March 31, 2015	2014
Level 3 Assets (Liabilities):		
Interest Rate Swaps:		
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 rates 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 Ended March 31,	
	2015	2014
Derivatives in Cash Flow Hedging Relationships		
Interest Rate Swaps:		
Amount of loss recognized in OCI for effective portion of derivatives	$(513)	$(328)
Amount of loss reclassified from accumulated OCI for effective portion of derivatives into interest expense and equity in earnings of unconsolidated	$(1,153)	$(1,156)

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 Ended March 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^{th} & Vineyard Consolidated Joint Venture

In 2010, we entered into the 8^{th} & 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^{th} & 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 Ended March 31, 2015	2014
Earnings per Common Share – Basic and Diluted		
Numerator		
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 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
Denominator		
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
Earnings per Common Share – Basic		
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
Earnings per Common Share – Diluted		
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 Ended March 31, 2015	Three Months Ended March 31, 2014
Earnings per OP Unit – Basic and Diluted		
Numerator		
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
Denominator		
Weighted average OP Units outstanding – basic	92,389	85,443
Effect of dilutive securities:		
Stock options and phantom stock	329	263
Weighted average OP Units outstanding – diluted	92,718	85,706
Earnings per OP Unit – Basic		
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
Earnings per OP Units – Diluted		
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, 2015	December 31, 2014
Segments:		
East assets	$978,565	$1,010,263
Central assets	1,078,667	1,067,616
West assets	1,333,544	1,245,990
Total segment net assets	3,390,776	3,323,869
Non-segment assets:		
Non-segment cash and cash equivalents	6,852	16,653
Other non-segment assets [1]	108,745	111,012
Total assets	$3,506,373	$3,451,534

[1] 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 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
Total revenues	$88,440	$83,383

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 Ended March 31, 2015	2014
East	$19,670	$20,139
Central	22,276	20,220
West	21,463	16,661
Property NOI [(1)]	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

(1) 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 Months Ended March 31, 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.

Condensed Consolidated Balance Sheets

March 31, 2015

(in thousands)

(unaudited)

	Parent	Subsidiary Issuer	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total Consolidated
ASSETS						
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 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 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 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					