DCT Industrial Trust Inc.
Form 10-K
February 20, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2014

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) (State or other jurisdiction of incorporation or organization)	82-0538522 (I.R.S. Employer Identification No.)
518 17th Street, Suite 800	80202

Denver, Colorado
(Address of principal executive offices) (Zip Code)
(303) 597-2400

Registrant's Telephone Number, Including Area Code

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (DCT Industrial Trust Inc.)	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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. (Check one):

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 Act). Yes ¨ No x

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

As of June 30, 2014, the aggregate market value of the 81.2 million shares of voting and non-voting common stock held by non-affiliates of DCT Industrial Trust Inc. was $2.7 billion based on the closing sale price of $32.84 as reported on the New York Stock Exchange on June 30, 2014. (For this computation, DCT Industrial Trust Inc. has excluded the market value of all shares of common stock reported as beneficially owned by executive officers and directors of DCT Industrial Trust Inc.; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of DCT Industrial Trust Inc.) As of February 12, 2015 there were 88,228,261 shares of common stock outstanding. There is no public trading market for the common units of DCT Industrial Operating Partnership LP. As a result, the aggregate market value of the common units held by non-affiliates of DCT Industrial Operating Partnership LP cannot be determined.

Documents Incorporated by Reference

Portions of DCT Industrial Trust Inc.'s definitive proxy statement to be issued in conjunction with DCT Industrial Trust Inc.'s annual meeting of stockholders to be held April 29, 2015 are incorporated by reference into Part III of this Annual Report.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2014 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 December 31, 2014, 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 periodic reports on Form 10-K 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 December 31, 2014.

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 II, Item 9A. 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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REVERSE STOCK SPLIT

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 Annual Report on Form 10-K have been restated to give effect to the reverse stock split.

FORWARD-LOOKING STATEMENTS

We make statements in this Annual Report on Form 10-K that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are usually identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "should," "will," and v such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation:

national, international, regional and local economic conditions, including, in particular, the strength of the United States economic recovery and global economic recovery;
the general level of interest rates and the availability of capital;
the competitive environment in which we operate;
real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
decreased rental rates or increasing vacancy rates;
defaults on or non-renewal of leases by tenants;
acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections;
the timing of acquisitions, dispositions and development;
natural disasters such as fires, floods, tornadoes, hurricanes and earthquakes;
energy costs;
the terms of governmental regulations that affect us and interpretations of those regulations, including the costs of compliance with those regulations, changes in real estate and zoning laws and increases in real property tax rates;
financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal, interest and other commitments;
lack of or insufficient amounts of insurance;
litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;
the consequences of future terrorist attacks or civil unrest;

- environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us; and
- other risks and uncertainties detailed in the section entitled “Risk Factors.”

In addition, our current and continuing qualification as a real estate investment trust, or REIT, involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, or the Code, and depends on our ability to meet the various requirements imposed by the Code through actual operating results, distribution levels and diversity of stock ownership.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should carefully review our financial statements and the notes thereto, as well as the section entitled "Risk Factors" in this Annual Report.

PART I

ITEM 1. BUSINESS

The Company

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. 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 December 31, 2014, 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 Annual Report on Form 10-K have been restated to give effect to the reverse stock split.

Available Information

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to any of those reports that we file with the Securities and Exchange Commission are available free of charge as soon as reasonably practicable through our website at http://investors.dctindustrial.com. The information contained on our website is not incorporated into this Annual Report. Our common stock is listed on the New York Stock Exchange under the symbol "DCT".

Business Overview

Our portfolio primarily consists of high-quality, bulk distribution warehouses and light industrial properties. The properties we target for acquisition or development are generally characterized by convenient access to major transportation arteries, proximity to densely populated markets and quality design standards that allow our customers' efficient and flexible use of the buildings. In the future, we intend to continue focusing on properties that exhibit these characteristics in select U.S. markets where we believe we can achieve favorable returns and leverage our local expertise. We seek to maximize growth in earnings and shareholder value within the context of overall economic conditions, primarily through increasing rents and operating income at existing properties and acquiring and developing high-quality properties in major distribution markets. In addition, we will recycle our capital by disposing

of non-strategic, lower growth assets and reinvesting the proceeds into newly acquired or developed assets where we believe the returns will be more favorable over time.

As of December 31, 2014, the Company owned interests in approximately 72.3 million square feet of properties leased to approximately 900 customers, including:

62.0 million square feet comprising 393 consolidated operating properties were 95.4% occupied;
8.1 million square feet comprising 24 unconsolidated properties were 97.8% occupied and which we operated on behalf of four institutional capital management partners;
0.8 million square feet comprising six consolidated properties under redevelopment; and
1.4 million square feet comprising seven consolidated buildings which are shell-complete and in lease-up.

As of December 31, 2014, our total consolidated portfolio consisted of 406 properties with an average size of 158,000 square feet and an average age of 22 years.

During the year ended December 31, 2014, we acquired 36 buildings. These properties were acquired for a total purchase price of $363.1 million. During the year ended December 31, 2014, we sold 37 consolidated operating properties to third-parties for gross proceeds of approximately $283.2 million. We recognized gains of approximately $43.9 million on the disposition of 33 properties and recognized impairment losses of approximately $5.4 million on the disposition of four properties.

We have a broadly diversified customer base. As of December 31, 2014, our consolidated properties had leases with approximately 900 customers with no single customer accounting for more than 2.2% of the total annualized base rent of our properties. Our ten largest customers occupy approximately 10.0% of our consolidated properties based on square footage and account for approximately 11.5% of the annualized base rent of these properties. We believe that our broad national presence in the top U.S. distribution markets provides geographic diversity and is attractive to users of distribution space which allows us to build strong relationships with our customers. Furthermore, we are actively engaged in meeting our customers' expansion and relocation requirements.

Our principal executive office is located at 518 17th Street, Suite 800, Denver, Colorado 80202; our telephone number is (303) 597-2400. We also maintain regional offices in Atlanta, Georgia; Baltimore, Maryland; Chicago, Illinois; Cincinnati, Ohio; Dallas, Texas; Houston, Texas; Paramus, New Jersey; Newport Beach, California; Emeryville, California; Orlando, Florida; and Seattle, Washington. Our website address is www.dctindustrial.com.

Business Strategy

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO, per share (see definition in "Selected Financial Data"), net asset value of our portfolio and total shareholder returns. In our pursuit of these long-term objectives, we seek to:

Maximizing Cash Flows From Existing Properties. We intend to maximize the cash flows from our existing properties by active leasing and management, maintaining strong customer relationships, controlling operating expenses and physically maintaining the quality of our properties. Renewing tenants, leasing space and effectively managing expenses are critical to achieving our objectives and are a primary focus of our local real estate teams.

Profitably Acquiring Properties. We seek to acquire properties that meet our asset, location and financial criteria at prices and potential returns which we believe are attractive. We have selected certain markets and sub-markets where we focus our efforts on identifying buildings to acquire.

Selectively Pursuing New Development. To meet current tenant demand, we continue to develop new assets in select markets where rents and vacancy levels demonstrate the need for new construction. During 2014, we acquired seven land parcels for future development totaling approximately 103.2 acres. As of December 31, 2014, we also stabilized four development buildings totaling 1.5 million square feet, have seven buildings that are shell-complete totaling 1.4 million square feet and have 14 buildings under construction, which are partially leased, totaling approximately 3.4 million square feet. Additionally, we have three development projects for sale under contract. The buildings under construction, as well as the development projects for sale, are all projected to be completed during 2015.

Recycling Capital. We intend to selectively dispose of non-strategic assets and redeploy the proceeds into higher growth acquisition and development opportunities. In 2014, we sold $283.2 million of non-strategic assets for deployment into higher growth assets. This includes the divestiture of the entire portfolio located in Columbus.

Conservatively Managing Our Balance Sheet. We plan to maintain financial metrics, including leverage and coverage ratios on a basis consistent with our investment grade ratings. In addition, we believe that a conservatively managed balance sheet provides for a competitive long-term cost of capital.

Our Competitive Strengths

We believe that we distinguish ourselves from other owners, operators, acquirers and developers of industrial properties through the following competitive strengths:

High-Quality Industrial Property Portfolio. Our portfolio of industrial properties primarily consists of high-quality bulk distribution facilities in high volume leasing markets specifically designed to meet the warehousing needs of local, regional and national companies. The majority of our properties are specifically designed for use by major distribution users and are readily divisible to take advantage of re-tenanting opportunities. We believe that our concentration of high-quality bulk distribution properties provides us with a competitive advantage in attracting and retaining distribution users across the markets in which we operate.
Experienced and Committed Management Team. Our executive management team collectively has an average of nearly 28 years of commercial real estate experience and 17 years of industrial real estate experience. Additionally, our executive management team has extensive public company operating experience.
Strong Operating Platform. We have a team of 88 experienced transaction and property management professionals working in 12 regional offices to maximize market opportunities through local expertise, presence and relationships. We believe successfully meeting the needs of our customers and anticipating and responding to market opportunities will result in achieving superior returns from our properties as well as through the sourcing of new acquisitions and development opportunities.
Proven Acquisition and Disposition Capabilities. The Company has extensive experience in acquiring industrial real estate, including both smaller transactions as well as larger portfolio acquisitions. Our local market teams are an important advantage in sourcing potential marketed as well as off-market transactions. The average size of our acquisitions since 2011 is $14.3 million, demonstrating our ability to access a significant pipeline of smaller acquisitions. Further, consistent with our capital recycling strategy, we have disposed of a cumulative $1.7 billion of real estate investments since inception.
Extensive Development and Redevelopment Expertise. Our local market teams have significant experience in all facets of value-add activities including development and redevelopment capabilities. We believe our local teams' knowledge of our focus markets and their relationships with key market participants, including land owners, users and brokers, combined with the technical expertise required to successfully execute on complex transactions, provides us with an excellent platform to create value while appropriately managing risk.
Strong Industry Relationships. We believe that our extensive network of industry relationships with the brokerage and investor communities will allow us to execute successfully our acquisition, development and capital recycling strategies. These relationships augment our ability to source acquisitions in off-market transactions outside of competitive marketing processes, capitalize on development opportunities and capture repeat business and transaction activity. Our strong relationships with local and nationally focused brokers aids in attracting and retaining customers.
Capital Structure. Our capital structure provides us with sufficient financial flexibility and capacity to fund future growth. We successfully raised $239.0 million in proceeds, net of offering expenses, from equity offerings during 2014. As of December 31, 2014, we had $243.5 million available under our senior unsecured revolving credit facility, net of three letters of credit totaling $19.5 million. As of December 31, 2014, 357 of our consolidated properties with a gross book value of $3.4 billion were unencumbered.

Operating Segments

Our operating results used to assess performance are aggregated into three reportable segments, East, Central and West, which are based on the geographical locations organized into markets where our management and operating teams conduct and monitor business. We consider rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. See additional information in “Item 2. Properties” and in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Notes to Consolidated Financial Statements, Note 14—Segment Information.”

Competition

The market for the leasing of industrial real estate is highly competitive. We experience competition for customers from other existing assets in proximity to our buildings as well as from proposed new developments. Institutional investors, other REITs and local real estate operators generally own such properties; however, no single competitor or small group of competitors is dominant in our current markets. However, as a result of competition, we may have to provide free rental periods, incur charges for tenant improvements or offer other inducements, all of which may have an adverse impact on our results of operations.

The market for the acquisition of industrial real estate is also very competitive. We compete for real property investments with other REITs and institutional investors such as pension funds and their advisors, private real estate investment funds, insurance company investment accounts, private investment companies, individuals and other entities engaged in real estate investment activities, some of which have greater financial resources than we do.

Environmental Matters

We are exposed to various environmental risks that may result in unanticipated losses and affect our operating results and financial condition. Either the previous owners or we subjected a majority of the properties we have acquired, including land, to environmental reviews. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations. See further additional information in “Item 1A. Risk Factors.”

Employees

As of December 31, 2014, we had 145 full-time employees.

ITEM 1A. RISK FACTORS

RISKS RELATED TO RECENT ECONOMIC CONDITIONS

Adverse economic conditions will negatively affect our returns and profitability.

Our operating results may be affected by weakness in the national and/or international economy as well as in the local economies where our properties are located. Specific impacts, among others, may include:

- increased levels of tenant defaults under leases;
- re-leasing which may require concessions, tenant improvement expenditures or reduced rental rates due to reduced demand for industrial space;
- overbuilding which may increase vacancies;
- adverse capital and credit market conditions may restrict our development and redevelopment activities; and
- reduced access to credit may result in tenant defaults, non-renewals under leases or inability of potential buyers to acquire our properties held for sale, including properties held through joint ventures.

The value of our investments may not appreciate or may decline in value significantly below the amount we pay for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. Our operations could be negatively affected to the extent that an economic slowdown or downturn is prolonged or becomes more severe.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

Our investments are concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our investments in real estate assets are primarily concentrated in the industrial real estate sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our management group, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results, financial condition and cash flows could suffer. Our ability to retain our management group, attract suitable replacements, or to attract new hires as needed, is dependent on the competitive nature of the employment market. Further, the loss of key personnel, or our inability to replace them, could be negatively perceived in the capital markets. We do not carry key man life insurance on any of our personnel.

Our operating results and financial condition could be adversely affected if we do not continue to have access to capital on favorable terms.

As a REIT, we must meet certain annual distribution requirements. Consequently, we are largely dependent on asset sales or external capital to fund our development and acquisition activities. Further, in order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. Additionally, our ability to sell assets or access

capital is dependent upon a number of factors, including general market conditions and competition from other real estate companies. To the extent that capital is not available to acquire or develop properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock.

Our long-term growth will partially depend upon future acquisitions of properties, and we may be unable to consummate acquisitions on advantageous terms or acquisitions may not perform as we expect.

We acquire and intend to continue to acquire primarily high-quality generic bulk distribution warehouses and light industrial properties. The acquisition of properties entails various risks, including the risks that our investments may not perform as we expect, that we may be unable to integrate our new acquisitions into our existing operations quickly and efficiently and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private institutional investment funds, and these competitors may have greater financial resources than us and a greater ability to borrow funds to acquire properties. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be significantly elevated. Similarly, we seek to acquire new properties in off-market transactions, because such properties are typically more attractively priced, but we may be unable to obtain off-market deal flow in the future. In addition, we expect to finance future acquisitions through a combination of borrowings under our senior unsecured credit facility, proceeds from equity or debt offerings by us or our operating partnership or its subsidiaries and proceeds from property contributions and sales which may not be available and which could adversely affect our cash flows. Any of the above risks could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock.

Our real estate development strategies may not be successful.

We are involved in the construction and expansion of distribution facilities and we intend to continue to pursue development and renovation activities as opportunities arise either on our own or in joint ventures. We will be subject to risks associated with our development and renovation activities that could adversely affect our financial condition, results of operations, cash flows, our ability to pay dividends, and/or the market price of our common stock.

Actions of our joint venture partners could negatively impact our performance.

Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies or joint ventures, and we intend to selectively continue to develop and acquire properties through joint ventures, limited liability companies and partnerships with other persons or entities when warranted by the circumstances. Such partners may share certain approval rights over major decisions. Such investments may involve risks not otherwise present with other methods of investment in real estate, including, but not limited to:

- that our partner in an investment might become bankrupt, which would mean that we could generally remain liable for the joint venture’s liabilities;
- that such partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;
- that such partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our current policy with respect to maintaining our qualification as a REIT;
- that, if our partners fail to fund their share of any required capital contributions, we may be required to contribute such capital;
- that joint venture agreements often restrict the transfer of a partner’s interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;
- that our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the agreements and, in such event, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase such interests or assets at an above-market price to continue ownership;

that disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the properties owned by the applicable partnership, limited liability company or joint venture to additional risk;

that we may in certain circumstances be liable for the actions of our partners; and

that we may, as a general partner investing in a limited partnership, have liability for all of the liabilities of such partnership, even if we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.

We generally seek to maintain sufficient control of our partnerships, limited liability companies and joint ventures to permit us to achieve our business objectives; however, we may not be able to do so, and the occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flows and ability to pay dividends on, and/or the market price of our common stock.

The availability and timing of cash distributions is uncertain.

We expect to continue to pay quarterly distributions to our stockholders. However, we bear all expenses incurred by our operations, and our funds generated by operations, after payment of these expenses, may not be sufficient to cover desired levels of distributions to our stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition. We may decide to dispose of select real estate assets, thereby changing the holding period assumption in our valuation analyses for those assets, which could result in material impairment losses and adversely affect our financial results.

Economic conditions have required or could require us to recognize real estate impairment charges on some of our assets and equity investments. We conduct a comprehensive review of all our real estate assets in accordance with our policy of accounting for impairments (see further discussion of our accounting policies in “Notes to the Consolidated Financial Statements, Note 2—Summary of Significant Accounting Policies” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Polices and Estimates”). The principal factor which has led to impairment charges in the recent past was the severe economic deterioration in many markets resulting in a decrease in leasing demand, rental rates, rising vacancies and an increase in capitalization rates.

There can be no assurance that the estimates and assumptions we use to assess impairments are accurate and will reflect actual results, or that we will not change our intended holding period for real estate assets. A worsening real estate market or the failure for that market to continue to improve may cause us to reevaluate the assumptions used in our impairment analysis and our intent to hold, sell, develop or contribute properties. Changes in these assumptions, or changes in our anticipated holding period, may result in impairment charges or losses that could adversely affect our financial condition, results of operations and/or the market price of our stock. An impairment loss could be material to our results of operations in the period that it is recognized.

Events or occurrences that affect areas in which our properties are geographically concentrated may impact financial results.

In addition to general, regional, national and international economic conditions, our operating performance is impacted by the economic conditions of the specific markets in which we have concentrations of properties. We have significant holdings in the following markets of our consolidated portfolio: Atlanta, Baltimore/Washington D.C., Chicago, Cincinnati, Dallas, Houston, Indianapolis, Miami, Memphis, Nashville, New Jersey, Northern California, Orlando, Pennsylvania, Phoenix, Seattle and Southern California. Our operating performance could be adversely affected if conditions become less favorable in any of the markets in which we have a concentration of properties.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

Although continuously reviewed, the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations and could result in a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations,

financial condition or liquidity.

We face risks associated with security breaches through cyber-attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

We face risks associated with security breaches, whether through cyber-attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach

or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

RISKS RELATED TO CONFLICTS OF INTEREST

Our UPREIT structure may result in potential conflicts of interest.

As of December 31, 2014, we owned 95.4% of the units of limited partnership interest in our operating partnership, or OP Units, certain unaffiliated limited partners owned 4.0% of the OP Units and certain of our officers and directors, owned the remaining 0.6% of the OP Units. Persons holding OP Units in our operating partnership have the right to vote on certain amendments to the limited partnership agreement of our operating partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Furthermore, circumstances may arise in the future when the interest of limited partners in our operating partnership may conflict with the interests of our stockholders. For example, the timing and terms of dispositions of properties held by our operating partnership may result in tax consequences to certain limited partners and not to our stockholders.

GENERAL REAL ESTATE RISKS

Our performance and value are subject to general economic conditions and risks associated with our real estate assets.

The investment returns from equity investments in real estate depend in part on the amount of income earned and capital appreciation generated by the properties, as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay distributions to our stockholders could be adversely affected. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from the property. Income from, and the value of, our properties may, in addition to risks discussed elsewhere in this section, be adversely affected by:

changes in supply of or demand for similar or competing properties in an area;
changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce returns to stockholders;
changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
our ability to provide adequate maintenance and insurance;

customer turnover;
general overbuilding or excess supply in the market areas; and
disruptions in the global supply chain caused by political, regulatory or other factors including terrorism.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adversely affect our financial condition and results of operations. Future terrorist attacks may result in declining economic activity, which could reduce the demand for, and the value of, our properties. To the extent that future attacks impact our customers, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

For these and other reasons, we cannot assure our stockholders that we will be profitable or that we will realize growth in the value of our real estate properties.

Actions by our competitors may decrease or prevent increases in the occupancy and rental rates of our properties.

We compete with other developers, owners and operators of real estate. If our competitors offer space at rental rates or terms more attractive than we currently offer to our customers, we may lose customers or we may be pressured to reduce our rental rates or provide more favorable lease terms. As a result, our financial condition, cash flows, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

We are dependent on customers for our revenues.

Lease payment or performance defaults by customers could adversely affect our financial condition and cause us to reduce the amount of distributions to stockholders. A default by a customer on its lease payments could force us to find an alternative source of revenues to pay any mortgage loan on the property. In the event of a customer default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property. If a lease is terminated, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss.

Our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business.

Our results of operations, distributable cash flows and the value of our common stock would be adversely affected if we are unable to lease, on economically favorable terms, a significant amount of space in our operating properties.

We may be unable to sell or re-lease a property if or when we decide to do so, including as a result of uncertain market conditions or vacancy, which could adversely affect the return on an investment in our common stock.

We expect to hold the various real properties in which we invest until such time as we decide that a sale or other disposition is appropriate given our investment objectives. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers, the availability of attractive financing for potential buyers of our properties and the rate of occupancy of the property. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure our stockholders that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which our stockholders will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our stockholders that we will have funds available to correct such defects or to make such improvements.

In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

A property may incur a vacancy either by the continued default of a customer under its lease or the expiration of one of our leases. We have significant lease expirations in 2015, as outlined in “Item 2, Properties—Lease Expirations.” In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. We may have difficulty obtaining a new customer for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because of vacancy.

The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, our ability at any time to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted by the potential for the imposition of the 100% “prohibited transactions” tax on gains from certain dispositions of property by REIT’s unless a safe harbor exception applies. This lack of liquidity may limit our ability to change our portfolio composition promptly in response to changes in economic or other conditions and, as a result, could adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the market price of, our common stock.

Delays in acquisition and development of properties may have adverse effects.

Delays we encounter in the selection, acquisition and development of properties could adversely affect our returns. Where land is acquired for purposes of developing a new property prior to the start of construction, it will typically take 12 to 18 months to complete construction and lease up the newly completed building.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We have acquired, and may continue to acquire, properties in markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding. We work to mitigate such risks through extensive diligence and research; however, there can be no guarantee that all such risks will be eliminated.

Uninsured losses relating to real property may adversely affect our returns.

We attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, there are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. In addition, changes in the cost or availability of insurance could expose us to uninsured casualty losses. In the event that any of our properties incurs a casualty loss that is not fully covered by insurance, the value of our assets will be reduced, and we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property. Any such losses could adversely affect our financial condition, results of operations, cash flows and ability to pay dividends, and/or the market price of our common stock. In addition, we may have no source of funding to repair or reconstruct the damaged property, and we cannot assure that any such sources of funding will be available to us for such purposes in the future.

A number of our consolidated operating properties are located in areas that are known to be subject to earthquake activity. Properties located in active seismic areas include properties in Northern California, Southern California, Memphis and Seattle. We carry reasonable and customary earthquake insurance on all of our properties located in areas historically subject to seismic activity with coverage limitations and deductibles that we believe are commercially reasonable. We evaluate our earthquake insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

A number of our properties are located in Houston, Miami and Orlando, which are areas that are known to be subject to hurricane and/or flood risk. We carry replacement-cost hurricane and flood hazard insurance on all of our properties located in areas historically subject to such activity with coverage limitations and deductibles that we believe are commercially reasonable. We evaluate our hurricane and flood damage insurance coverage annually in light of current industry practice through an analysis prepared by outside consultants.

Contingent or unknown liabilities could adversely affect our financial condition.

We have acquired and may in the future acquire properties without any recourse, or with only limited recourse, with respect to unknown or contingent liabilities, including, without limitation, environmental liabilities. As a result, if a claim was asserted against us based upon current or previous ownership of any of these properties or related entities, we might have to pay substantial sums to settle it which could adversely affect our cash flows.

Environmentally hazardous conditions may adversely affect our operating results.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, a single person may be held responsible for all of the clean-up costs incurred. In addition, third-parties may sue the owner or operator of a site for damages based on personal injury, natural resources, property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of a government entity for costs it may incur to address the contamination, or otherwise could adversely affect our ability to sell or lease the property or borrow using the property as collateral. Environmental laws also may impose restrictions on the manner in which a property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions enforceable by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending environmental claims, of complying with environmental regulatory requirements or of remediating any contaminated property could

materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our stockholders.

Environmental laws in the U.S. also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third-parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of our properties may contain asbestos-containing building materials.

We invest in properties historically used for industrial, manufacturing and commercial purposes. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. All of these operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that may have contained or currently contain underground storage tanks used to store petroleum products, or other hazardous or toxic substances. In addition, previous or current occupants of our properties and adjacent properties may have engaged, or may in the future engage, in activities that may release petroleum products or other hazardous or toxic substances.

We maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy’s coverage conditions and limitations, for most of our properties. From time to time, we may acquire properties or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

All of our properties were subject to a Phase I or similar environmental assessment by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include a historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. While some of these assessments have led to further investigation and sampling, none of our environmental assessments of our properties have revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations taken as a whole. However, we cannot give any assurance that such conditions do not exist or may not arise in the future. Material environmental conditions, liabilities or compliance concerns may arise after the environmental assessment has been completed. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of our properties will not be affected by customers, by the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third-parties unrelated to us.

Costs of complying with governmental laws and regulations may adversely affect our income and the cash available for any distributions.

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Customers’ ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on customers,

owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing properties to customers that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

Some of these laws and regulations have been amended so as to require compliance with new or more stringent standards as of future dates. Compliance with new or more stringent laws or regulations or stricter interpretation of existing laws may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. Additionally, our customers' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third-parties may affect our properties. In addition, there are various local, state and federal fire, health, life-safety and similar regulations with which we may be required to comply and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines or damages we must pay will reduce our ability to make distributions and may reduce the value of our common stock.

In addition, changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, including removing access barriers, then our cash flows and the amounts available for distributions to our stockholders may be adversely affected. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flows and results of operations.

We may acquire properties with “lock-out” provisions which may affect our ability to dispose of the properties.

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These “lock-out” provisions could affect our ability to turn our investments into cash and could affect cash available for distributions to our stockholders. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our stockholders and, therefore, may have an adverse impact on the value of our common stock relative to the value that would result if the lock-out provisions did not exist.

We could face possible risks associated with climate change.

The physical effects of climate change, were it to occur in a negative manner, could have a material adverse effect on our properties, operations and business. To the extent climate change causes changes in weather patterns, our markets could experience negative impact. This impact could result in declining demand for industrial space in our buildings or our inability to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy, increasing the cost of building materials, and increasing the cost of snow removal at our properties.

RISKS RELATED TO OUR DEBT FINANCINGS

Our operating results and financial condition could be adversely affected if we are unable to make required payments on our debt.

Our charter and bylaws do not limit the amount or percentage of indebtedness that we may incur, and we are subject to risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness or that we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

In particular, loans obtained to fund property acquisitions may be secured by first mortgages on such properties. If we are unable to make our debt service payments as required, a lender could foreclose on the property or properties securing its debt. This could cause us to lose part or all of our investment, which in turn could cause the value of our common stock and distributions payable to stockholders to be reduced. Certain of our existing and future indebtedness is and may be cross-collateralized and, consequently, a default on this indebtedness could cause us to lose part or all of our investment in multiple properties.

Increases in interest rates could increase the amount of our debt payments or make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and adversely affect our ability to make distributions to our stockholders.

We have incurred and may continue to incur variable rate debt whereby increases in interest rates raise our interest costs, which reduces our cash flows and our ability to make distributions to our stockholders. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected, and the property securing such indebtedness may be sold on terms that are not advantageous to us or lost through foreclosure. Similarly, if debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments.

Covenants in our credit agreements could limit our flexibility and adversely affect our financial condition.

The terms of our senior credit facility and other indebtedness require us to comply with a number of customary financial and other covenants, such as covenants with respect to consolidated leverage, net worth and unencumbered assets. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. As of December 31, 2014, we had certain non-recourse, secured loans which are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. In addition, our senior credit facility contains certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the senior credit facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to make distributions.

Some of our financing arrangements may require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

RISKS RELATED TO OUR CORPORATE STRUCTURE

Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

Our charter contains a 9.8% ownership limit.

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% by value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares of our capital stock. Our board of directors, in its sole discretion, may exempt, subject to the satisfaction of certain

conditions, any person from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% by value or number of shares of any class or series of our outstanding shares of our capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We could authorize and issue stock without stockholder approval.

Our board of directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock and amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. In addition, our board of directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our board of directors could establish a series of stock that could, depending on the terms of such series, delay,

defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Provisions of Maryland law may limit the ability of a third-party to acquire control of our Company.

Certain provisions of Maryland law may have the effect of inhibiting a third-party from making a proposal to acquire us or of impeding a change of control under certain circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then prevailing market price of such shares.

Our charter, our bylaws and the limited partnership agreement of our operating partnership contain provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our board of directors can take many actions without stockholder approval.

Our board of directors has overall authority to oversee our operations and determine our major corporate policies. This authority includes significant flexibility. For example, our board of directors can do the following:

- within the limits provided in our charter, prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of us and our stockholders;
- issue additional shares without obtaining stockholder approval, which could dilute the ownership of our then-current stockholders;
- amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series, without obtaining stockholder approval;
- classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares, without obtaining stockholder approval;
- employ and compensate affiliates;
- direct our resources toward investments that do not ultimately appreciate over time;
- change creditworthiness standards with respect to third-party customers; and
- determine that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any of these actions could increase our operating expenses, impact our ability to make distributions or reduce the value of our assets without giving our stockholders the right to vote.

We may change our investment and financing strategies and enter into new lines of business without stockholder consent, which may result in riskier investments than our current investments.

We may change our investment and financing strategies and enter into new lines of business at any time without the consent of our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this document. A change in our investment strategy or our entry into new lines of business may increase our exposure to interest rate and other risks of real estate market fluctuations.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors’ and officers’ liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established

by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty; the director or officer actually received an improper personal benefit in money, property or services; or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our stockholders may have more limited rights against our directors and officers than

might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

FEDERAL INCOME TAX RISKS

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

We operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. Our qualification as a REIT will depend on our satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. The fact that we hold substantially all of our assets through our operating partnership and its subsidiaries further complicates the application of the REIT requirements for us. No assurance can be given that we will qualify as a REIT for any particular year. If we were to fail to qualify as a REIT in any taxable year for which a REIT election has been made, we would not be allowed a deduction for dividends paid to our stockholders in computing our taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at corporate rates unless certain relief provision apply. As a consequence, we would not be compelled to make distributions under the Code. Moreover, unless we were to obtain relief under certain statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce our net earnings available for investment or distribution to our stockholders because of the additional tax liability to us for the years involved. As a result of the additional tax liability, we might need to borrow funds or liquidate certain investments on terms that may be disadvantageous to us in order to pay the applicable tax. If we fail to qualify as a REIT but are eligible for certain relief provisions, then we may retain our status as a REIT but may be required to pay a penalty tax, which could be substantial.

To qualify as a REIT, we must meet annual distribution requirements.

To obtain the favorable tax treatment accorded to REITs, among other requirements, we normally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and by excluding net capital gains. We will be subject to federal income tax on our undistributed taxable income and net capital gain. In addition, if we fail to distribute during each calendar year at least the sum of (a) 85% of our ordinary income for such year, (b) 95% of our capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed by us, plus (ii) retained amounts on which we pay income tax at the corporate level. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis or partially pay dividends in shares of our common stock to meet the distribution requirements of the Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations.

Legislative or regulatory action could adversely affect our stockholders.

In recent years, numerous legislative, judicial and administrative changes have been made to the federal income tax laws applicable to investments in REITs and similar entities. Additional changes to tax laws are likely to continue to occur in the future, and we cannot assure our stockholders that any such changes will not adversely affect the taxation of a stockholder. Any such changes could have an adverse effect on an investment in our common stock. All stockholders are urged to consult with their tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in common stock.

Distributions payable by REITs do not qualify for the reduced tax rates that apply to certain other corporate distributions.

Certain distributions payable by corporations to individuals subject to tax as “qualified dividend income” are subject to reduced tax rates applicable to long-term capital gain. Distributions payable by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient rather than the preferential long-term capital gain rate. Although this preferential tax rate on certain corporate distributions does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be

relatively less attractive than investments in the stocks of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock.

Recharacterization of transactions under our operating partnership's private placement may result in a 100% tax on income from prohibited transactions, which would diminish our cash distributions to our stockholders.

The IRS could recharacterize transactions under our operating partnership's private placement such that our operating partnership is treated as the bona fide owner, for tax purposes, of properties acquired and resold by the entity established to facilitate the transaction. Such recharacterization could result in the income realized on these transactions by our operating partnership being treated as gain on the sale of property that is held as inventory or otherwise held primarily for the sale to customers in the ordinary course of business. In such event, such gain would constitute income from a prohibited transaction and would be subject to a 100% tax. If this occurs, our ability to pay cash distributions to our stockholders will be adversely affected.

In certain circumstances, we may be subject to federal and state income taxes, which would reduce our cash available for distribution to our stockholders.

Even if we qualify and maintain our status as a REIT, we may be subject to federal income taxes or state taxes in various circumstances. For example, net income from a "prohibited transaction" will be subject to a 100% tax. In addition, we may not be able to distribute all of our income in any given year, which would result in corporate level taxes, and we may not make sufficient distributions to avoid excise taxes. We may also decide to retain certain gains from the sale or other disposition of our property and pay income tax directly on such gains. In that event, our stockholders would be required to include such gains in income and would receive a corresponding credit for their share of taxes paid by us. We may also be subject to U.S. state and local and non-U.S. taxes on our income or property, either directly or at the level of our operating partnership or at the level of the other entities through which we indirectly own our assets. In addition, any net taxable income earned directly by any of our taxable REIT subsidiaries, which we refer to as TRSs, will be subject to federal and state corporate income tax. In addition, we may be subject to federal or state taxes in other various circumstances. Any taxes we pay will reduce our cash available for distribution to our stockholders.

If our operating partnership was classified as a "publicly traded partnership" under the Code, our status as a REIT and our ability to pay distributions to our stockholders could be adversely affected.

Our operating partnership is organized as a partnership for U.S. federal income tax purposes. Even though our operating partnership will not elect to be treated as an association taxable as a corporation, it may be taxed as a corporation if it is deemed to be a "publicly traded partnership." A publicly traded partnership is a partnership whose interests are traded on an established securities market or are considered readily tradable on a secondary market or the substantial equivalent thereof. We believe and currently take the position that our operating partnership should not be classified as a publicly traded partnership because interests in our operating partnership are not traded on an established securities market, and our operating partnership should satisfy certain safe harbors which prevent a partnership's interests from being treated as readily tradable on an established securities market or substantial equivalent thereof. No assurance can be given, however, that the IRS would not assert that our operating partnership constitutes a publicly traded partnership or that facts and circumstances will not develop which could result in our operating partnership being treated as a publicly traded partnership. If the IRS were to assert successfully that our operating partnership is a publicly traded partnership, and substantially all of our operating partnership's gross income did not consist of the specified types of passive income, our operating partnership would be treated as an association taxable as a corporation and would be subject to corporate tax at the entity level. In such event, the character of our assets and items of gross income would change and would result in a termination of our status as a REIT. In addition, the imposition of a corporate tax on our operating partnership would reduce the amount of cash available for

distribution to our stockholders.

Certain property transfers may generate prohibited transaction income, resulting in a penalty tax on gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties, including the contribution of properties to our joint venture funds or other commingled investment vehicles. Under the Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction subject to a 100% penalty tax, unless a safe harbor exception applies. Since we acquire properties for investment purposes, we do not believe that our occasional transfers or disposals of property or our contributions of properties into our joint venture funds, or commingled investment vehicles, are properly treated as prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The IRS may contend that certain transfers or disposals of properties by us or contributions of properties into our joint venture funds are prohibited transactions if they do not meet the safe harbor requirements. While we believe that the IRS would not prevail in any such dispute, if the IRS were to argue successfully that a transfer or disposition or contribution of property constituted a prohibited transaction, we

would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a real estate investment trust for federal income tax purposes.

Foreign investors may be subject to the Foreign Investment Real Property Tax Act, or FIRPTA, which would impose tax on certain distributions and on the sale of common stock if we are unable to qualify as a "domestically controlled" REIT or if our stock is not considered to be regularly traded on an established securities market.

A foreign person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests or USRPIs is generally subject to a tax, known as FIRPTA tax, on the gain recognized on the disposition. Such FIRPTA tax does not apply, however, to the disposition of stock in a REIT if the REIT is a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% of the value of its shares is held directly or indirectly by non-U.S. holders. In the event that we do not constitute a domestically controlled qualified investment entity, a person's sale of stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (1) the stock owned is of a class that is "regularly traded" as defined by applicable Treasury regulations, on an established securities market, and (2) the selling non-U.S. holder held 5% or less of our outstanding stock of that class at all times during a specified testing period. If we were to fail to so qualify as a domestically controlled qualified investment entity and our common stock were to fail to be "regularly traded," gain realized by a foreign investor on a sale of our common stock would be subject to FIRPTA tax and applicable withholding. No assurance can be given that we will be a domestically controlled qualified investment entity. Additionally, any distributions we make to our non-U.S. stockholders that are attributable to gain from the sale of any USRPI will also generally be subject to FIRPTA tax and applicable withholdings, unless the recipient non-U.S. stockholder has not owned more than 5% of our common stock at any time during the year preceding the distribution and our common stock is treated as being "regularly traded".

Congress has introduced legislation that, if enacted, could cause our operating partnership to be taxable as a corporation for U.S. federal income tax purposes under the publicly traded partnership rules.

Congress has considered and the Obama administration has indicated its support for legislative proposals to treat all or part of certain income allocated to a partner by a partnership in respect of certain services provided to or for the benefit of the partnership ("carried interest revenue") as ordinary income for U.S. federal income tax purposes. While more recent proposals would not adversely affect the character of the income for purposes of the REIT qualification tests, it is not clear what form any such final legislation would take. Additionally, while the more recent proposals purport to treat carried interest revenue as qualifying income of certain operating partnerships of publicly-traded REITs for purposes of the "qualifying income" exception to the publicly-traded partnership rules, our operating partnership may not qualify under this exception in the proposed legislation. As a result, the proposed legislation, if enacted, could cause our operating partnership to be taxable as a corporation for U.S. federal income tax purposes if it is a publicly-traded partnership and the amount of any such carried interest revenue plus any other non-qualifying income earned by our operating partnership exceeds 10% of its gross income in any taxable year.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES
Geographic Distribution

The following table describes the geographic diversification of our consolidated properties as of December 31, 2014:

Markets	Number of Buildings	Square Feet	Percentage of Total Square Feet		Occupancy Percentage[1]		Annualized Base Rent[2] [3]	Percent of Total Annualized Base Rent	
CONSOLIDATED OPERATING:		(in thousands)					(in thousands)		
Atlanta	39	6,455	10.1	%	92.0	%	$ 19,294	7.8	%
Baltimore/Washington D.C.	17	2,009	3.1	%	93.6	%	11,155	4.5	%
Charlotte	1	472	0.7	%	100.0	%	1,604	0.7	%
Memphis	8	3,712	5.8	%	88.4	%	9,333	3.8	%
Miami	11	1,437	2.2	%	93.2	%	9,931	4.0	%
Nashville	4	2,064	3.2	%	97.9	%	6,243	2.5	%
New Jersey	10	1,491	2.3	%	91.3	%	8,086	3.3	%
Orlando	20	1,864	2.9	%	96.0	%	7,189	2.9	%
Pennsylvania	13	2,716	4.2	%	95.3	%	10,350	4.2	%
East Segment Subtotal	123	22,220	34.5	%	93.0	%	83,185	33.7	%
Chicago	38	8,992	14.0	%	97.1	%	30,453	12.3	%
Cincinnati	29	2,942	4.6	%	95.6	%	10,240	4.2	%
Dallas	35	5,277	8.2	%	96.5	%	17,344	7.0	%
Houston	39	3,444	5.4	%	98.4	%	19,992	8.1	%
Indianapolis	7	2,299	3.6	%	93.9	%	6,636	2.7	%
Louisville	3	1,109	1.7	%	100.0	%	3,692	1.5	%
Central Segment Subtotal	151	24,063	37.5	%	96.8	%	88,357	35.8	%
Denver	2	278	0.4	%	100.0	%	1,362	0.6	%
Northern California	28	3,920	6.1	%	95.9	%	19,292	7.8	%
Phoenix	24	2,566	4.0	%	92.9	%	9,931	4.0	%
Seattle	21	2,249	3.5	%	96.2	%	11,604	4.7	%
Southern California[4]	44	6,680	10.4	%	98.4	%	32,678	13.2	%
West Segment Subtotal	119	15,693	24.4	%	96.6	%	74,867	30.3	%
Total/weighted average - operating properties	393	61,976	96.4	%	95.4	%	246,409	99.8	%
REDEVELOPMENT PROPERTIES:									
Chicago	2	548	0.9	%	0.0	%	-	0.0	%
Dallas	1	63	0.1	%	100.0	%	N/A[5]	0.0	%
Houston	1	98	0.2	%	0.0	%	-	0.0	%
New Jersey	1	63	0.1	%	0.0	%	-	0.0	%
Southern California	1	82	0.1	%	0.0	%	-	0.0	%
	6	854	1.4	%	7.4	%	-	0.0	%

Total/weighted average – redevelopment properties											
DEVELOPMENT PROPERTIES:											
Houston[6]	4	437	0.7	%	13.6	%	517		0.2	%
Orlando	1	97	0.2	%	24.5	%	-		0.0	%
Seattle	2	837	1.3	%	12.5	%	-		0.0	%
Total/weighted average – development properties	7	1,371	2.2	%	13.7	%	517		0.2	%
Total/weighted average - consolidated properties	406	64,201	100.0	%	92.5	%	$ 246,926	(7)	100.0	%

(See footnote definitions on next page)

The following table describes the geographic diversification of our investments in unconsolidated properties as of December 31, 2014:

Markets	Number of Buildings	Percent Owned (8)	Square Feet (in thousands)	Percentage of Total Square Feet	Occupancy Percentage[1]	Annualized Base Rent[2] (in thousands)	Percent of Total Annualized Base Rent
UNCONSOLIDATED OPERATING PROPERTIES:							
IDI (Nashville)	1	50.0 %	557	6.9 %	70.2 %	$ 969	3.4 %
Southern California Logistics Airport[9]	6	50.0 %	2,160	26.8 %	99.6 %	8,009	28.2 %
Total/weighted average - unconsolidated operating properties	7	50.0 %	2,717	33.7 %	93.5 %	8,978	31.6 %
OPERATING PROPERTIES IN CO-INVESTMENT VENTURES:							
Chicago	2	20.0 %	1,033	12.8 %	100.0 %	3,861	13.6 %
Cincinnati	1	20.0 %	543	6.8 %	100.0 %	1,656	5.8 %
Dallas	1	20.0 %	540	6.7 %	100.0 %	1,732	6.1 %
Denver	5	20.0 %	772	9.6 %	100.0 %	3,876	13.6 %
Louisville	4	10.0 %	736	9.1 %	100.0 %	2,267	8.0 %
Nashville	2	20.0 %	1,020	12.7 %	100.0 %	2,825	10.0 %
Orlando	2	20.0 %	696	8.6 %	100.0 %	3,224	11.3 %
Total/weighted average - co-investment operating properties	17	18.6 %	5,340	66.3 %	100.0 %	19,441	68.4 %
Total/weighted average - unconsolidated properties	24	29.2 %	8,057	100.0 %	97.8 %	$ 28,419	100.0 %

(1) Based on leases commenced as of December 31, 2014.

(2) Annualized base rent is calculated as monthly contractual base rent (cash basis) in effect as of December 31, 2014, multiplied by 12.

(3) Excludes total annualized base rent of $1.7 million from one non-industrial property acquired for future development. The lease expired in January 2015.

(4) As of December 31, 2014, our ownership interest in the Southern California portfolio of properties was 93.7% based on our equity ownership weighted by square feet.

(5) The lease is a short-term lease. The rental income is incidental revenue recognized as a reduction to our cost of redevelopment.

(6) Includes two shell-complete buildings acquired during July 2014 totaling 178,000 square feet.

(7) Excludes total annualized base rent associated with tenants currently in free rent periods of $10.4 million based on the first month's cash base rent.

(8) Percent owned is based on equity ownership weighted by square feet.

(9)

Although we contributed 100% of the initial cash equity capital required by the venture, after return of certain preferential distributions on capital invested, profits and losses are generally split 50/50.

Indebtedness

As of December 31, 2014, 49 of our 406 consolidated properties, with a combined gross book value of approximately $0.6 billion were encumbered by mortgage indebtedness totaling $244.4 million (excluding net premiums). See “Notes to Consolidated Financial Statements, Note 5—Outstanding Indebtedness” and the accompanying Schedule III beginning on page F-57 for additional information.

Lease Expirations

Our industrial properties are leased to customers for terms generally ranging from 3 to 10 years with a weighted average remaining term of approximately 3.3 years as of December 31, 2014. Following is a schedule of expiring leases for our consolidated properties by square feet and by annualized minimum base rent as of December 31, 2014, assuming no exercise of lease renewal:

Year	Square Feet Related to Expiring Leases (in thousands)	Percentage of Total Consolidated Operating Occupied Square Feet		Annualized Base Rent of Expiring Leases[1] (in thousands)	Percent of Total Annualized Base Rent	
2015[2]	6,623	11.2	%	$ 28,534	10.2	%
2016	10,052	16.9	%	42,893	15.3	%
2017	10,982	18.5	%	45,596	16.3	%
2018	7,786	13.1	%	35,133	12.6	%
2019	8,163	13.7	%	35,626	12.7	%
2020	5,358	9.0	%	26,912	9.6	%
2021	3,765	6.3	%	23,503	8.4	%
2022	2,008	3.4	%	11,479	4.1	%
2023	2,112	3.6	%	12,250	4.4	%
2024	744	1.3	%	4,686	1.7	%
Thereafter	1,781	3.0	%	13,300	4.7	%
Total occupied	59,374	100.0	%	$ 279,912	100.0	%
Available or leased but not occupied	4,827					
Total consolidated properties	64,201					

(1) Annualized base rent includes contractual rents in effect at the date of expiration.
(2) Includes month-to-month leases.

Customer Diversification

As of December 31, 2014, there were no customers that occupied more than 2.2% of our consolidated properties based on annualized base rent. The following table reflects our 10 largest customers, based on annualized base rent as of December 31, 2014, who occupy a combined 6.4 million square feet or 10.0% of our consolidated properties.

Customer	Percentage of Annualized Base Rent

Schenker, Inc.	2.2	%
The Clorox Company	1.2	%
The Glidden Company	1.1	%
Distributions Alternatives, Inc.	1.1	%
United Stationers Supply Company	1.1	%
YRC, LLC	1.0	%
Kellogg Company	1.0	%
Bridgestone Corporation	1.0	%
Deutsche Post World Net (DHL)	0.9	%
One Kings Lane, Inc.	0.9	%
Total	11.5	%

Although base rent is supported by long-term lease contracts, customers who file bankruptcy generally have the legal right to reject any or all of their leases. In the event that a customer with a significant number of leases in our properties files bankruptcy and cancels its leases, we could experience a reduction in our revenues and an increase in our allowance for doubtful accounts receivable.

We continuously monitor the financial condition of our customers. We communicate often with those customers who have been late on payments or have filed bankruptcy. We are not currently aware of any significant financial difficulties of any tenants that would cause a material reduction in our revenues, and no customer represents more than 5.0% of our annual base rent.

Industry Diversification

The table below illustrates the diversification of our consolidated portfolio by the industry classification of our customers based upon their NAICS code as of December 31, 2014 (dollar amounts in thousands):

	Number of Leases	Annualized Base Rent[1]	Percentage of Total Annualized Base Rent	Occupied Square Feet[2]	Percentage of Total Occupied Square Feet
Manufacturing	259	$ 79,611	32.2 %	18,531	31.2 %
Transportation and Warehousing	161	54,007	21.9 %	14,052	23.7 %
Wholesale Trade	223	47,322	19.2 %	12,364	20.8 %
Retail Trade	85	24,128	9.8 %	6,312	10.6 %
Professional, Scientific and Technical Services	54	11,662	4.7 %	2,071	3.5 %
Other	78	10,431	4.2 %	1,960	3.3 %
Administrative Support and Waste Management Services	43	7,442	3.0 %	1,992	3.4 %
Media and Information	26	5,965	2.4 %	847	1.4 %
Health Care and Social Assistance	8	4,034	1.6 %	706	1.2 %
Rental Companies	16	2,324	1.0 %	539	0.9 %
Total	953	$ 246,926	100.0 %	59,374	100.0 %

(1) Annualized base rent is calculated as monthly contractual base rent (cash basis) in effect as of December 31, 2014, multiplied by 12.

(2) Based on leases commenced as of December 31, 2014.

ITEM 3. LEGAL PROCEEDINGS

We are a party to various legal actions and administrative proceedings arising in the ordinary course of business, some of which may be covered by liability insurance, and none of which we expect to have a material adverse effect on our consolidated financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 Annual Report on Form 10-K have been restated to give effect to the reverse stock split

DCT

Common Stock Market Prices

Our common stock is listed on the New York Stock Exchange, or the NYSE, under the symbol "DCT". The following table illustrates the high and low sales prices during periods presented:

Quarter Ended in 2014	High	Low
December 31,	$36.88	$29.40
September 30,	$32.84	$29.44
June 30,	$33.04	$30.16
March 31,	$32.16	$27.52

Quarter Ended in 2013	High	Low
December 31,	$32.00	$27.88
September 30,	$31.84	$26.48
June 30,	$33.80	$27.00
March 31,	$29.92	$25.96

On February 12, 2015 the closing price of our common stock was $36.47 per share, as reported on the NYSE and there were 88,228,261 shares of common stock outstanding, held by approximately 1,800 stockholders of record. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

Distribution Policy

We intend to continue to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes. U.S. federal income tax law requires that a REIT distribute with respect to each year at least 90% of its annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. We will not be required to make distributions with respect to income derived from the activities conducted through our taxable REIT subsidiaries that is not distributed to us. To the extent our taxable REIT subsidiaries' income is not distributed and is instead reinvested in the operations of these entities, the value of our equity interest in our taxable REIT subsidiaries will increase. The aggregate value of the securities that we hold in our taxable REIT subsidiaries may not exceed 25% of the total value of our gross assets. Distributions from our taxable REIT subsidiaries to us will qualify for the 95% gross income test but will not qualify for the 75% gross income test.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of our taxable net income to holders of our common stock out of legally available assets. Any future distributions we make will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification, applicable provisions of the MGCL and such other factors as our board of directors deems relevant.

We anticipate that, for U.S. federal income tax purposes, distributions (including certain part cash, part stock distributions) generally will be taxable to our stockholders and unitholders as ordinary income, although some portion of our distributions may constitute ordinary income, capital gains or a return of capital. The tax characterization of dividends paid on our common stock and OP units for 2014, 2013 and 2012 is as follows (refer to our website for more information on the taxability of our dividends):

	2014	2013	2012
Ordinary income	68.9%	54.9%	23.5%
Return of capital	10.8%	37.9%	76.5%
Capital gains	20.3%	7.2 %	0.0 %

The following table sets forth the distributions that have been declared by our board of directors on our common stock during the fiscal years ended December 31, 2014 and 2013:

Amount Declared During Quarter Ended in 2014:	Per Share	Date Paid
December 31,	$ 0.28	January 10, 2015
September 30,	0.28	October 15, 2014
June 30,	0.28	July 16, 2014
March 31,	0.28	April 16, 2014
Total 2014	$ 1.12	

Amount Declared During Quarter Ended in 2013:	Per Share	Date Paid
December 31,	$ 0.28	January 9, 2014
September 30,	0.28	October 16, 2013
June 30,	0.28	July 17, 2013
March 31,	0.28	April 17, 2013
Total 2013	$ 1.12	

Performance Graph

The graph below shows a comparison of cumulative total stockholder returns for DCT Industrial Trust Inc. common stock with the cumulative total return on the Standard and Poor's 500 Index, the MSCI US REIT Index, and the FTSE NAREIT Equity Industrial Index. The MSCI US REIT Index represents performance of publicly traded REITs while the FTSE NAREIT Equity Industrial Index represents only the performance of our publicly traded industrial REIT peers. Stockholders' returns over the indicated period are based on historical data and should not be considered indicative of future stockholder returns.

	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014
DCT Industrial Trust Inc.	$ 100.00	$ 111.99	$ 114.14	$ 151.26	$ 172.75	$ 223.63
S&P 500	$ 100.00	$ 115.06	$ 117.49	$ 136.30	$ 180.44	$ 205.14
MSCI US REIT Index	$ 100.00	$ 128.48	$ 139.65	$ 164.46	$ 168.52	$ 219.72
FTSE NAREIT Equity Industrial Index	$ 100.00	$ 127.96	$ 138.57	$ 163.60	$ 167.63	$ 218.16

Note: The graph covers the period from December 31, 2009 to December 31, 2014 and assumes that $100 was invested in DCT Industrial Trust Inc. common stock and in each index on December 31, 2009 and that all dividends were reinvested.

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Operating Partnership

OP Unit Market Prices and Dividends

There is no established public market for our OP Units. On February 12, 2015 there were 4,307,956 OP Units outstanding, held by approximately 250 holders of record.

The following table sets forth the distributions that have been declared by our board of directors on OP Units outstanding during the fiscal years ended December 31, 2014 and 2013:

Amount Declared During Quarter Ended in 2014:	Per Unit	Date Paid
December 31,	$ 0.28	January 10, 2015
September 30,	0.28	October 15, 2014
June 30,	0.28	July 16, 2014
March 31,	0.28	April 16, 2014
Total 2014	$ 1.12	
Amount Declared During Quarter Ended in 2013:	Per Unit	Date Paid
December 31,	$ 0.28	January 9, 2014
September 30,	0.28	October 16, 2013
June 30,	0.28	July 17, 2013
March 31,	0.28	April 17, 2013
Total 2013	$ 1.12	

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.

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 and year ended December 31, 2014, approximately 0.1 million and 0.4 million OP Units were redeemed for approximately $0.2 million and $1.0 million in cash and approximately 0.1 million and 0.3 million shares of DCT common stock, respectively.

Tax Disclosure Update

Capital Gain Tax Rates

Currently, a U.S. person that is an individual will generally be subject to tax on long term capital gain (which generally includes any capital gain dividends he or she receives, his or her proportionate share of our undistributed capital gain, and capital gain realized from the disposition of our capital stock, in each case, if the applicable holding periods are satisfied) at a maximum rate of (i) 15% or (ii) 20% if such individual’s modified adjusted gross income exceeds certain threshold amounts.

Withholdable Payments Under FATCA

Under current guidance promulgated by the Treasury and Internal Revenue Service with respect to the Foreign Account Tax Compliance Act, withholding on certain U.S. source income (including dividends paid in respect of our capital stock) went into effect on July 1, 2014 and withholding on “withholdable payments” other than U.S. source income (including gross proceeds from a disposition of our capital stock) will not be applied to payments made on or before December 31, 2016.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial and other information of DCT and the Operating Partnership as of and for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. The financial data in the table should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and related notes in “Item 8. Financial Statements and Supplementary Data.”

DCT

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Operating Data:					
Rental revenues	$334,787	$286,218	$236,839	$211,536	$190,404
Total revenues	$336,526	$289,005	$240,898	$215,827	$194,537
Rental expenses and real estate taxes	$94,310	$80,025	$66,390	$61,367	$58,437
Property net operating income[1]	$240,477	$206,193	$170,449	$150,169	$131,967
Total operating expenses	$277,688	$237,741	$200,972	$189,951	$178,400
Income (loss) from continuing operations	$46,531	$(9,251)	$(28,540)	$(42,503)	$(44,618)
Income from discontinued operations	$5,717	$26,723	$11,800	$13,660	$1,551
Gain on dispositions of real estate interests	$39,671	$-	$-	$-	$-
Net income (loss) attributable to common stockholders	$49,164	$15,870	$(15,086)	$(25,250)	$(37,830)
Earnings per Common Share – Basic:					
Income (loss) from continuing operations	$0.52	$(0.13)	$(0.41)	$(0.62)	$(0.74)
Income from discontinued operations	$0.06	$0.33	$0.17	$0.20	$0.02
Net income (loss) attributable to common stockholders	$0.58	$0.20	$(0.24)	$(0.42)	$(0.72)
Earnings per Common Share – Diluted:					
Income (loss) from continuing operations	$0.52	$(0.13)	$(0.41)	$(0.62)	$(0.74)
Income from discontinued operations	$0.06	$0.33	$0.17	$0.20	$0.02
Net income (loss) attributable to common stockholders	$0.58	$0.20	$(0.24)	$(0.42)	$(0.72)
Weighted Average Common Shares Outstanding:					
Basic	83,280	74,692	63,708	60,648	53,103
Diluted	83,572	74,692	63,708	60,648	53,103
Amounts Attributable to Common Stockholders:					
Income (loss) from continuing operations[2]	$43,730	$(9,250)	$(25,896)	$(37,621)	$(39,212)
Income from discontinued operations	5,434	25,120	10,810	12,371	1,382
Net income (loss) attributable to common stockholders	49,164	15,870	(15,086)	(25,250)	(37,830)
Distributed and undistributed earnings allocated to participating securities	(677)	(692)	(524)	(443)	(480)
Adjusted net income (loss) attributable to common	$48,487	$15,178	$(15,610)	$(25,693)	$(38,310)

stockholders					
Common Share Distributions:					
Common share cash distributions, declared	$94,227	$85,079	$73,200	$68,789	$60,110
Common share cash distributions, declared per share	$1.12	$1.12	$1.12	$1.12	$1.12
Other Data:					
Consolidated operating square feet	61,976	61,896	58,132	58,099	56,652
Consolidated operating buildings	393	395	399	408	390
Total consolidated buildings square feet	64,201	63,172	61,410	58,255	57,777
Total consolidated buildings	406	400	409	409	398

(See footnote definitions on page 33)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Net investment in real estate	$3,351,263	$3,141,877	$2,910,613	$2,711,027	$2,647,186
Total assets	$3,451,534	$3,265,963	$3,057,199	$2,793,298	$2,719,889
Senior unsecured notes	$1,122,621	$1,122,407	$1,025,000	$935,000	$786,000
Mortgage notes	$249,424	$290,960	$317,314	$317,783	$425,359
Total liabilities	$1,586,118	$1,598,771	$1,583,640	$1,389,183	$1,319,051
Cash Flow Data:					
Net cash provided by operating activities	$169,994	$152,893	$118,956	$106,966	$91,002
Net cash used in investing activities	$(259,627)	$(301,058)	$(299,138)	$(177,823)	$(138,334)
Net cash provided by financing activities	$77,038	$167,695	$180,044	$66,845	$45,542
Funds From Operations:(3)					
Net income (loss) attributable to common stockholders	$49,164	$15,870	$(15,086)	$(25,250)	$(37,830)
Adjustments:					
Real estate related depreciation and amortization	148,992	137,120	126,687	128,989	115,904
Equity in (earnings) losses of unconsolidated joint ventures, net	(6,462)	(2,405)	(1,087)	2,556	2,986
Equity in FFO of unconsolidated joint ventures	10,804	10,152	10,312	4,732	4,001
Impairment losses on depreciable real estate(4)	5,767	13,279	11,422	10,160	8,012
(Gain) loss on business combinations	(1,000)	-	-	-	395
Gain on dispositions of real estate interests	(45,199)	(33,650)	(13,383)	(12,030)	(2,091)
Gain on dispositions of non-depreciable real estate	98	31	-	-	13
Noncontrolling interest in the operating partnership's share of the above adjustments	(6,300)	(8,211)	(12,522)	(14,252)	(13,426)
FFO attributable to unitholders	8,106	8,437	9,743	9,901	8,678
FFO attributable to common stockholders and unitholders – basic and diluted(3)	163,970	140,623	116,086	104,806	86,642
Adjustments:					
Impairment losses on non-depreciable real estate(4)	-	-	-	-	3,992
Debt modification costs	-	-	-	-	1,136
Acquisition costs(5)	3,011	3,578	1,975	1,902	1,228
FFO, as adjusted, attributable to common stockholders and unitholders, basic and diluted	$166,981	$144,201	$118,061	$106,708	$92,998
FFO per common share and unit - basic	$1.86	$1.76	$1.66	$1.56	$1.44
FFO per common share and unit - diluted	$1.85	$1.75	$1.65	$1.55	$1.44
	$1.89	$1.80	$1.69	$1.58	$1.55

FFO as adjusted, per common share and unit - basic					
FFO as adjusted, per common share and unit - diluted	$1.89	$1.80	$1.68	$1.58	$1.54
FFO weighted average common shares and units outstanding:					
Common shares	83,280	74,692	63,708	60,648	53,103
Participating securities	605	616	474	400	422
Units	4,331	4,770	5,840	6,328	6,588
FFO weighted average common shares, participating securities and units outstanding – basic	88,216	80,078	70,022	67,376	60,113
Dilutive common stock equivalents	292	223	156	112	89
FFO weighted average common shares and units outstanding – diluted	88,508	80,301	70,178	67,488	60,202

(See footnote definitions on page 33)

DCT Operating Partnership

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Operating Data:					
Rental revenues	$334,787	$286,218	$236,839	$211,536	$190,404
Total revenues	$336,526	$289,005	$240,898	$215,827	$194,537
Rental expenses and real estate taxes	$94,310	$80,025	$66,390	$61,367	$58,437
Property net operating income[1]	$240,477	$206,193	$170,449	$150,169	$131,967
Total operating expenses	$277,688	$237,741	$200,972	$189,951	$178,400
Income (loss) from continuing operations	$46,531	$(9,251)	$(28,540)	$(42,503)	$(44,618)
Income from discontinued operations	$5,717	$26,723	$11,800	$13,660	$1,551
Gain on dispositions of real estate interests	$39,671	$-	$-	$-	$-
Net income (loss) attributable to OP Unitholders	$51,722	$16,883	$(16,468)	$(27,885)	$(42,524)
Earnings per OP Unit – Basic:					
Income (loss) from continuing operations	$0.52	$(0.13)	$(0.41)	$(0.62)	$(0.74)
Income from discontinued operations	$0.06	$0.33	$0.17	$0.20	$0.02
Net income (loss) attributable to OP Unitholders	$0.58	$0.20	$(0.24)	$(0.42)	$(0.72)
Earnings per OP Unit – Diluted:					
Income (loss) from continuing operations	$0.52	$(0.13)	$(0.41)	$(0.62)	$(0.74)
Income from discontinued operations	$0.06	$0.33	$0.17	$0.20	$0.02
Net income (loss) attributable to OP Unitholders	$0.58	$0.20	$(0.24)	$(0.42)	$(0.72)
Weighted Average OP Units Outstanding:					
Basic	87,611	79,462	69,547	66,975	59,691
Diluted	87,903	79,462	69,547	66,975	59,691
Amounts Attributable to OP Unitholders:					
Income (loss) from continuing operations[2]	$46,005	$(9,840)	$(28,268)	$(41,545)	$(44,075)
Income from discontinued operations	5,717	26,723	11,800	13,660	1,551
Net income (loss) attributable to OP Unitholders	51,722	16,883	(16,468)	(27,885)	(42,524)
Distributed and undistributed earnings allocated to participating securities	(677)	(692)	(524)	(443)	(480)
Adjusted net income (loss) attributable to OP Unitholders	$51,045	$16,191	$(16,992)	$(28,328)	$(43,004)
OP Units Distributions:					
OP Unit cash distributions, declared	$98,954	$90,352	$79,459	$75,849	$67,380
OP Unit cash distributions, declared per unit	$1.12	$1.12	$1.12	$1.12	$1.12
Other Data:					
Consolidated operating square feet	61,976	61,896	58,132	58,099	56,652
Consolidated operating buildings	393	395	399	408	390
Total consolidated buildings square feet	64,201	63,172	61,410	58,255	57,777
Total consolidated buildings	406	400	409	409	398

(See footnote definitions on page 33)

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Net investment in real estate	$3,351,263	$3,141,877	$2,910,613	$2,711,027	$2,647,186
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Senior unsecured notes	$1,122,621	$1,122,407	$1,025,000	$935,000	$786,000
Mortgage notes	$249,424	$290,960	$317,314	$317,783	$425,359
Total liabilities	$1,586,118	$1,598,771	$1,583,640	$1,389,183	$1,319,051
Cash Flow Data:					
Net cash provided by operating activities	$169,994	$152,893	$118,956	$106,966	$91,002
Net cash used in investing activities	$(259,627)	$(301,058)	$(299,138)	$(177,823)	$(138,334)
Net cash provided by financing activities	$77,038	$167,695	$180,044	$66,845	$45,542
Funds From Operations:(3)					
Net income (loss) attributable to OP Unitholders	$51,722	$16,883	$(16,468)	$(27,885)	$(42,524)
Adjustments:					
Real estate related depreciation and amortization	148,992	137,120	126,687	128,989	115,904
Equity in (earnings) losses of unconsolidated joint ventures, net	(6,462)	(2,405)	(1,087)	2,556	2,986
Equity in FFO of unconsolidated joint ventures	10,804	10,152	10,312	4,732	4,001
Impairment losses on depreciable real estate(4)	5,767	13,279	11,422	10,160	8,012
(Gain) loss on business combinations	(1,000)	-	-	-	395
Gain on dispositions of real estate interests	(45,199)	(33,650)	(13,383)	(12,030)	(2,091)
Gain on dispositions of non-depreciable real estate	98	31	-	-	13
Noncontrolling interest in the operating partnership's share of the above adjustments	(752)	(787)	(1,397)	(1,716)	(54)
FFO attributable to OP Unitholders – basic and diluted(3)	163,970	140,623	116,086	104,806	86,642
Adjustments:					
Impairment losses on non-depreciable real estate(4)	-	-	-	-	3,992
Debt modification costs	-	-	-	-	1,136
Acquisition costs(5)	3,011	3,578	1,975	1,902	1,228
FFO, as adjusted, attributable to OP Unitholders, basic and diluted	$166,981	$144,201	$118,061	$106,708	$92,998
FFO per OP unit - basic	$1.86	$1.76	$1.66	$1.56	$1.44
FFO per OP unit - diluted	$1.85	$1.75	$1.65	$1.55	$1.44
FFO as adjusted, per OP Unit - basic	$1.89	$1.80	$1.69	$1.58	$1.55
FFO as adjusted, per OP Unit - diluted	$1.89	$1.80	$1.68	$1.58	$1.54
FFO weighted average OP Units outstanding:					
OP Units	87,611	79,462	69,548	66,976	59,691
Participating securities	605	616	474	400	422

FFO weighted average OP Units and participating securities – basic	88,216	80,078	70,022	67,376	60,113
Dilutive unit equivalents	292	223	156	112	89
FFO weighted average OP Units outstanding – diluted	88,508	80,301	70,178	67,488	60,202

(See footnote definitions on page 33)

The following table is a reconciliation of our property net operating income, or NOI, to our reported "Income (Loss) From Continuing Operations" for the years ended December 31, 2014, 2013, 2012, 2011 and 2010 (in thousands):

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Property NOI [(1)]	$240,477	$206,193	$170,449	$150,169	$131,967
Institutional capital management and other fees	1,739	2,787	4,059	4,291	4,133
Impairment losses on investments in unconsolidated joint ventures	-	-	-	(1,953)	(216)
Casualty and involuntary conversion gain	328	296	1,174	-	-
Gain on dispositions of real estate interests	39,671	-	-	-	-
Gain (loss) on business combination	1,000	-	-	-	(395)
Development profit, net of taxes	2,016	268	307	-	-
Impairment losses	(5,635)	-	-	-	(4,100)
Real estate related depreciation and amortization	(148,992)	(130,002)	(109,993)	(103,333)	(91,129)
General and administrative	(29,079)	(28,010)	(25,763)	(25,251)	(24,733)
Equity in earnings (loss) of unconsolidated joint ventures, net	6,462	2,405	1,087	(2,556)	(2,986)
Interest expense	(63,236)	(63,394)	(69,274)	(63,645)	(56,272)
Interest and other income (expense)	1,563	274	85	(93)	(235)
Income tax benefit (expense) and other taxes	217	(68)	(671)	(132)	(652)
Income (loss) from continuing operations	$46,531	$(9,251)	$(28,540)	$(42,503)	$(44,618)

(1) Property net operating income, or property NOI, is defined as rental revenues, including expense reimbursements, less rental expenses and real estate taxes, and excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gain (loss), impairment, general and administrative expenses, equity in (earnings) loss of unconsolidated joint ventures, interest expense, interest and other income and income tax expense and other taxes. DCT Industrial considers NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of DCT Industrial's properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as amortization, depreciation, impairment, interest expense, interest income and general and administrative expenses. We also present NOI excluding lease termination revenue as it is not considered to be indicative of recurring operating performance. However, NOI should not be viewed as an alternative measure of DCT Industrial's financial performance since it excludes expenses which could materially impact our results of operations. Further, DCT Industrial's NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, DCT Industrial believes net income, as defined by GAAP, to be the most appropriate measure to evaluate DCT Industrial's overall financial performance

(2) Includes gain on dispositions of non-depreciable assets and gains on dispositions not meeting the definition of a discontinued operation.

(3) DCT Industrial believes that net income (loss) attributable to common stockholders, as defined by GAAP, is the most appropriate earnings measure. However, DCT Industrial considers funds from operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), to be a useful supplemental non-GAAP measure of DCT Industrial's operating performance. NAREIT developed FFO as a relative measure of performance of an equity REIT in order to recognize that the value of income-producing real estate historically has not

depreciated on the basis determined under GAAP. FFO is generally defined as net income attributable to common stockholders, calculated in accordance with GAAP, plus real estate-related depreciation and amortization, less gains from dispositions of operating real estate held for investment purposes, plus impairment losses on depreciable real estate and impairments of in substance real estate investments in investees that are driven by measureable decreases in the fair value of the depreciable real estate held by the unconsolidated joint ventures and adjustments to derive DCT Industrial's pro rata share of FFO of unconsolidated joint ventures. We exclude gains and losses on business combinations and include the gains or losses from dispositions of properties which were acquired or developed with the intention to sell or contribute to an investment fund in our definition of FFO. Although the NAREIT definition of FFO predates the guidance for accounting for gains and losses on business combinations, we believe that excluding such gains and losses is consistent with the key objective of FFO as a performance measure. We also present FFO excluding acquisition costs, debt modification costs and impairment losses on properties which are not depreciable. We believe that FFO excluding acquisition costs, debt modification costs and impairment losses on non-depreciable real estate is useful supplemental information regarding our operating performance as it provides a more meaningful and consistent comparison of our operating performance and allows investors to more easily compare our operating results. Readers should note that FFO captures neither the changes in the value of DCT Industrial's properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of DCT Industrial's properties, all of which have real economic effect and could materially impact DCT Industrial's results from operations. NAREIT's definition of FFO is subject to interpretation, and modifications to the NAREIT definition of FFO are common. Accordingly, DCT Industrial's FFO may not be comparable to other REITs' FFO and FFO should be considered only as a supplement to net income (loss) as a measure of DCT Industrial's performance.

(4) Under NAREIT's definition of FFO, impairment write-downs of depreciable real estate should be excluded in calculating NAREIT FFO. In addition, impairments of in substance real estate investments in investees that are driven by measureable decreases in the fair value of the depreciable real estate held by the unconsolidated joint ventures should be excluded in determining NAREIT FFO.

(5) Excluding amounts attributable to noncontrolling interests.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of results of operations and financial condition should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

Overview

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. 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 December 31, 2014, DCT owned approximately 95.4% of the outstanding equity interests in the Operating Partnership.

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO, as defined on page 33, net asset value of our portfolio and total shareholder returns. In our pursuit of these long-term objectives, we seek to:

- maximize cash flows from existing properties;
- deploy capital into quality acquisitions and development opportunities which meet our asset, location and financial criteria; and
- recycle capital by selling assets that no longer fit our investment criteria and reinvesting the proceeds into higher growth opportunities.

Outlook

We seek to maximize long-term earnings growth and value within the context of overall economic conditions, primarily through increasing occupancy, rents and operating income at existing properties and acquiring and developing high-quality properties with attractive operating income and value growth prospects. Fundamentals for industrial real estate continue to improve in response to general improvement in the economy as well as trends that particularly favor industrial assets, including the growth of e-commerce and U.S. based manufacturing. We expect moderate economic growth to continue through 2015, which should result in continued positive demand for warehouse space as companies expand and upgrade their distribution and production platforms.

In response to positive net absorption and lower market vacancy levels, rental rates are increasing in most of our markets, although they generally remain below peak levels. Rental concessions, such as free rent, have also declined in all markets. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed during 2015 to be higher than the rates on expiring leases. As positive net absorption of warehouse space continues, we expect the rental rate environment to continue to improve.

New development has begun to increase in many markets where fundamentals have improved, however construction is below current levels of net absorption in most markets and below peak levels. We expect that the operating

environment will continue to be favorable for landlords with a meaningful improvement of rental rates and continued strong occupancy levels.

We expect same store net operating income to be higher in 2015 than it was in 2014, primarily as a result of higher occupancy in 2015 and the impact of increasing rental rates on leases signed in 2015 compared to expiring leases.

In terms of capital investment, we will continue to pursue the acquisition of well-located distribution facilities at prices where we can apply our leasing experience and market knowledge to generate attractive returns. Going forward, we will pursue the acquisition of buildings and land and consider selective development of new buildings in markets where we perceive demand and market rental rates will provide attractive financial returns.

We anticipate continuing to selectively dispose of non-strategic assets where demand continues at levels where we perceive opportunities to recycles capital into higher growth assets in an effort to enhance long-term growth in earnings and cash flows.

We anticipate having sufficient liquidity to fund our operating expenses, including costs to maintain our properties and distributions, though we may finance investments, including acquisitions and developments, with the issuance of new common shares, proceeds from asset sales or through additional borrowings. Please see “Liquidity and Capital Resources” for additional discussion.

Inflation

Although the U.S. economy has recently experienced a modest increase in inflation rates, and a wide variety of industries and sectors are affected differently by changing commodity prices, inflation has not had a significant impact on us in our markets. Most of our leases require the customers to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation. In addition, most of our leases expire within five years which enables us to replace existing leases with new leases at then-existing market rates.

Summary of Significant Transactions During 2014

Significant transactions for the year ended December 31, 2014

Acquisitions
During the year ended December 31, 2014, we acquired 36 buildings comprising 5.6 million square feet in the Atlanta, Baltimore/Washington D.C., Chicago, Dallas, Houston, Miami, New Jersey, Northern California, Phoenix, Seattle and Southern California markets for a total purchase price of approximately $363.1 million. Average occupancy upon acquisition of the properties was 78.1%.
In addition, during the year ended December 31, 2014, we acquired 103.2 acres of land in the Chicago, Dallas, Pennsylvania and Seattle markets for approximately $21.5 million.
Development Activities
As of December 31, 2014, construction was shell-complete on seven buildings totaling 1.4 million square feet in the Houston, Orlando and Seattle markets. During the year ended December 31, 2014, we stabilized four buildings totaling 1.5 million square feet and had three development projects for sale totaling 0.2 million square feet under contract. Additionally, we recognized development profit, net of taxes, of approximately $2.0 million related to the completion and sales of 8th & Vineyard A and 8th & Vineyard B.

The table below reflects a summary of development activities as of December 31, 2014:

Project	Market	Acres	Number of Buildings	Square Feet (in thousands)	Percent Owned	Cumulative Costs at 12/31/2014 (in thousands)	Projected Investment (in thousands)	Completion Date[1]	Percent Leased[2]
Development Activities:									
Development Projects in Lease Up									
DCT Beltway Tanner Business Park	Houston	11	1	133	100 %	$ 18,660	$ 20,503	Q1-2014	100 %
DCT Airtex Industrial Center II	Houston	7	1	127	100 %	6,935	9,775	Q4-2014	0 %
7220 North Sam Houston Parkway West	Houston	5	1	70	100 %	6,047	7,956	Q3 2014	0 %
7330 North Sam Houston Parkway West	Houston	8	1	108	100 %	9,322	12,267	Q3 2014	0 %
DCT Airport Distribution Center North Building C	Orlando	8	1	97	100 %	4,806	6,693	Q4-2014	0 %
DCT Sumner South Distribution Center	Seattle	9	1	188	100 %	11,653	13,410	Q1-2014	56 %
DCT White River Corporate Center Phase I	Seattle	30	1	649	100 %	39,756	44,169	Q4-2014	0 %
	Sub Total	78	7	1,372	100 %	$ 97,179	$ 114,773		17 %
Under Construction									
DCT River West	Atlanta	47	1	733	100 %	$ 18,482	$ 29,622	Q2-2015	0 %
DCT O'Hare Logistics Center	Chicago	7	1	112	100 %	4,734	12,436	Q3-2015	0 %
DCT Freeport North	Dallas	6	1	100	100 %	5,586	6,989	Q1-2015	0 %
DCT Frankford Trade Center	Dallas	6	1	82	100 %	4,691	5,563	Q1-2015	0 %
DCT Northwest Crossroads Logistics Centre I	Houston	21	1	362	100 %	16,379	20,618	Q1-2015	100 %
DCT Northwest Crossroads Logistics Centre II	Houston	18	1	320	100 %	9,265	18,412	Q2-2015	0 %

DCT Chrin Commerce Centre	Pennsylvania	36	1	426	100 %	11,402	26,199	Q2-2015	0 %
DCT White River Corporate Center Phase II South	Seattle	4	1	63	100 %	4,594	5,095	Q1-2015	100 %
DCT Fife 45 North	Seattle	5	1	79	100 %	4,852	7,155	Q1-2015	0 %
DCT Fife 45 South	Seattle	4	1	64	100 %	3,269	5,553	Q1-2015	57 %
DCT Rialto Logistics Center	So. California	42	1	928	100 %	50,876	60,543	Q1-2015	0 %
	Sub Total	196	11	3,269	100 %	$ 134,130	$ 198,185		14 %
Development Projects for Sale[3]									
8th & Vineyard C	So. California	3	1	55	91 %	$ 3,370	$ 4,985	Q1-2015	N/A
8th & Vineyard D	So. California	4	1	61	91 %	4,273	5,429	Q1-2015	N/A
8th & Vineyard E	So. California	2	1	40	91 %	2,982	3,791	Q1-2015	N/A
	Sub Total	9	3	156	91 %	$ 10,625	$ 14,205		
	Total	283	21	4,797	99 %	$ 241,934	$ 327,163		15 %

(1) The completion date represents the date of building shell completion or estimated date of shell completion.
(2) Percentage leased is computed as of the date the financial statements were available to be issued.
(3) Development projects for sale are under contract and expected to be completed during 2015.

Dispositions

During the year ended December 31, 2014, we sold 37 consolidated operating properties totaling 6.4 million square feet, to third parties for gross proceeds of approximately $283.2 million.

We recognized gains of approximately $43.9 million on the disposition of 33 properties and recognized impairment losses of approximately $5.4 million on four properties.

Significant Activity with Joint Ventures

During January 2014, the TRT-DCT Ventures I and II disposed of all their properties. We received approximately $6.6 million in net proceeds from the transactions. Based on the structure of the transactions, we recognized a gain of approximately $0.9 million on the sale of our interest in TRT-DCT Venture I and we recognized our share of the TRT-DCT Venture II's gain on sale of properties of approximately $2.4 million.

During March 2014, we obtained 100.0% controlling interest through the purchase of our partner's 50.0% interest in one building from the IDI/DCT, LLC joint venture for approximately $10.3 million and recognized a gain on the business combination of approximately $1.0 million.

During December 2014, the IDI/DCT, LLC Venture disposed of one property. We received net proceeds of approximately $4.1 million from the transaction and recognized our share of the venture's gain on the sale of the property which was approximately $1.0 million.

Debt Activity

As of December 31, 2014, we had $37.0 million outstanding and $243.5 million available under the senior unsecured revolving credit facility, net of three letter of credits totaling $19.5 million.

During 2014, we assumed three mortgage notes with aggregate outstanding balances of approximately $18.3 million in connection with property acquisitions. We recorded approximately a $2.0 million premium in connection with the assumption of these notes.

Equity activity

During the year ended December 31, 2014, approximately 4.1 million shares were issued through our third continuous equity offering program at an average price of $30.98 per share, for proceeds of approximately $126.6 million, net of offering expenses. The proceeds from the sale of shares were contributed to the Operating Partnership in exchange for an equal number of OP Units in the Operating Partnership and were used for general corporate purposes, including funding of acquisitions and repaying debt. As of December 31, 2014, no shares were available to be issued under the current offering.

On November 7, 2014, we issued 3.4 million shares of common stock in a public offering at a price of $33.68 per share for proceeds of approximately $112.4 million, net of offering expenses.

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 Annual Report on Form 10-K have been restated to give effect to the reverse stock split.

Critical Accounting Policies and Estimates

General

Our discussion and analysis of financial condition and results of operations is based on our Consolidated Financial Statements which have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discussion pertains to accounting policies management believes are most critical to the portrayal of our financial condition and results of operations that require management's most difficult, subjective or complex 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.

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.

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.

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.

We earn revenues from asset management fees, acquisition fees, property management fees and fees for other services pursuant to joint venture and other agreements. 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.”

Capitalization of Costs

We capitalize costs directly related to the development, pre-development, redevelopment or improvement of our investment in real estate, referred to as capital projects and other activities included within this paragraph. Costs associated with our capital projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes and insurance, if appropriate. We capitalize indirect costs such as personnel, office, and administrative expenses that are directly related to our development projects based on an estimate of the time spent on the construction and development activities. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. We determine when the capitalization period begins and ends through communication with project and other managers responsible for the tracking and oversight of individual projects. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. In addition, we capitalize initial direct costs incurred for successful origination of new leases. Costs incurred for maintaining and repairing our properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rates in effect during the period. We also capitalize interest on our qualifying investments in unconsolidated joint ventures based on the average capital invested in a venture during the period when the venture has activities in progress necessary to commence its planned principal operations, at our weighted average borrowing rate during the period. A “qualifying investment” is an investment in an unconsolidated joint venture provided that our investee’s activities include the use of funds to acquire

qualifying assets, such as development or predevelopment activities, and planned principal operations have not commenced.

Investment in Properties

We record the assets, liabilities and noncontrolling interests associated with property acquisitions which qualify as business combinations at their respective acquisition date fair values which are derived using a market, income or replacement cost approach, or a combination thereof. Acquisition related costs associated with business combinations are expensed as incurred. As defined by GAAP, a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. We generally do not consider acquisitions of land or unoccupied buildings to be business combinations. Rather, these transactions are treated as asset acquisitions and recorded at cost.

The fair value of identifiable tangible assets such as land, building, building and land improvements, and tenant improvements is determined on an "as-if-vacant" basis which requires significant judgment by management. Management considers estimates such as the replacement cost of such assets, appraisals, property condition reports, comparable market rental data and other related information in determining the fair value of the tangible assets. The recorded fair value of intangible lease assets or liabilities includes the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property and lease commencement. An intangible asset or liability resulting from in-place leases that are above or below the market rental rates are valued based upon management's estimates of prevailing market rates for similar leases. Intangible lease assets or liabilities are amortized over the reasonably assured lease term of the remaining in-place leases as an adjustment to "Rental revenues" or "Real estate related depreciation and amortization" depending on the nature of the intangible. The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to "Interest expense" over the life of the debt assumed. The valuation of assumed liabilities is based on our estimate of the current market rates for similar liabilities in effect at the acquisition date.

We have certain properties which we have acquired or removed from service with the intention to redevelop the property. Buildings under redevelopment require significant construction activities prior to being placed back into service. We generally do not depreciate properties classified as redevelopment until the date that the redevelopment properties are ready for their intended use.

Real estate, including land, building, building and land improvements, and tenant improvements, leasing costs and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. Our estimate of the useful life of our assets is evaluated upon acquisition and when circumstances indicate a change in the useful life, which requires significant judgment regarding the economic obsolescence of tangible and intangible assets.

Impairment of Properties

Investments in properties classified as held for use are carried at cost and evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. As we selectively dispose of non-strategic assets and redeploy the proceeds into higher growth assets, our intended hold period may change due to our intention to sell or otherwise dispose of an asset. As a result, we would assess whether that asset is impaired. Depending on the carrying value of the property at that time and the amount that we estimate we would receive on disposal, we may record an impairment loss. Other indicators include the point at which we deem a building to be held for sale or when a building remains vacant significantly longer than expected.

For investments in properties that we intend to hold long-term, the recoverability is based on estimated future undiscounted cash flows. If the asset carrying value is not recoverable on an undiscounted cash flow basis, the amount of impairment is measured as the difference between the carrying value and the fair value of the asset and is reflected in "Impairment losses" on the Consolidated Statements of Operations. The determination of fair value of real estate assets to be held for use is derived using the discounted cash flow method and involves a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Such assumptions are management's estimates and include, but are not limited to, projected vacancy rates, rental rates, property operating expenses and capital expenditures. The capitalization rate is also a significant driving factor in determining the property valuation and requires management's judgment of factors such as market knowledge, market supply and demand factors, historical experience, lease terms, customer's financial strength, economy, demographics, environment, property location, visibility, age, physical condition and expected return requirements, among other things. The aforementioned factors are taken as a whole by management in determining the valuation of investment property. The valuation is sensitive to the actual results of

many of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management's estimates, the valuation could be negatively affected and may result in additional impairment losses recorded in the Consolidated Financial Statements.

Investments in properties classified as held for sale are recorded at the lower of their carrying amount or fair value (typically estimated based on the contracted sales price) less costs to sell.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

We evaluate investments in and advances to unconsolidated joint ventures for impairment whenever events or changes in circumstances indicate that there may be an other-than-temporary decline in value. To do so, we calculate the estimated fair value of the investment using a market, income or replacement cost approach, or combination thereof. The amount of impairment recognized, if any, would be the excess of the investment's carrying amount over its estimated fair value. We consider various factors to determine if a decline in the value of the investment is other-than-temporary, which include but are not limited to, the age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, expected term of the investment and the relationships with the other joint venture partners and its lenders. If we believe that the decline in the fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment. Should the actual results differ from management's estimates, the valuation could be negatively affected and may result in additional impairment losses in the Consolidated Financial Statements.

Results of Operations

Summary of the year ended December 31, 2014 compared to the year ended December 31, 2013

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 U.S. As of December 31, 2014, the Company owned interests in or had under development approximately 72.3 million square feet of properties leased to approximately 900 customers, including 8.1 million square feet managed on behalf of four institutional capital management joint venture partners. Also as of December 31, 2014, we consolidated 393 operating properties, six redevelopment properties and seven development properties. As of December 31, 2013, we consolidated 395 operating properties, two redevelopment properties, two development properties and one property which was held for sale.

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income, and other expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. Developed properties are generally included in same store properties once they are stabilized. We generally consider buildings stabilized when occupancy reaches 90%. Non-same store operating properties include properties not meeting the same store criteria and by definition exclude development and redevelopment properties. The same store portfolio for the periods presented totaled 315 operating properties and was comprised of 47.2 million square feet. A discussion of these changes follows in the table below (in thousands):

	Year Ended December 31,				
	2014	2013	$ Change	Percent Change	
Rental Revenues					
Same store	$251,022	$242,734	$8,288	3.4	%
Non-same store operating properties	80,790	42,166	38,624	91.6	%
Development and redevelopment	2,975	1,318	1,657	125.7	%
Total rental revenues	334,787	286,218	48,569	17.0	%
Rental Expenses and Real Estate Taxes					
Same store	69,283	68,170	1,113	1.6	%
Non-same store operating properties	24,608	11,471	13,137	114.5	%
Development and redevelopment	419	384	35	9.1	%
Total rental expenses and real estate taxes	94,310	80,025	14,285	17.9	%
Property Net Operating Income (1)					
Same store	181,739	174,564	7,175	4.1	%
Non-same store operating properties	56,182	30,695	25,487	83.0	%
Development and redevelopment	2,556	934	1,622	173.7	%
Total property net operating income	240,477	206,193	34,284	16.6	%
Other Revenue and Other Income					
Institutional capital management and other fees	1,739	2,787	(1,048)	-37.6	%
Development profit, net of taxes	2,016	268	1,748	652.2	%
Equity in earnings of unconsolidated joint ventures, net	6,462	2,405	4,057	168.7	%
Gain on business combination	1,000	-	1,000	100.0	%
Gain on dispositions of real estate interests	39,671	-	39,671	100.0	%
Casualty and involuntary conversion gain	328	296	32	10.8	%
Interest and other income	1,563	274	1,289	470.4	%
Total other revenue and other income	52,779	6,030	46,749	775.3	%
Other Expenses					
Real estate related depreciation and amortization	148,992	130,002	18,990	14.6	%
Interest expense	63,236	63,394	(158)	-0.2	%
General and administrative	29,079	28,010	1,069	3.8	%
Impairment losses	5,635	-	5,635	100.0	%
Income tax (benefit) expense and other taxes	(217)	68	(285)	-419.1	%
Total other expenses	246,725	221,474	25,251	11.4	%
Income from discontinued operations	5,717	26,723	(21,006)	-78.6	%

Net income attributable to noncontrolling interests of the Operating Partnership	(526)	(589)	63	10.7 %
Net income attributable to OP Unitholders	51,722	16,883	34,839	206.4 %
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(2,558)	(1,013)	(1,545)	