

DCT Industrial Trust Inc.
 Form 10-K
 February 17, 2017

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2016

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

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

DCT INDUSTRIAL TRUST INC.
 DCT INDUSTRIAL OPERATING PARTNERSHIP LP
 (Exact name of registrant as specified in its charter)

Maryland (DCT Industrial Trust Inc.)	82-0538520
Delaware (DCT Industrial Operating Partnership LP)	82-0538522
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
555 17th Street, Suite 3700	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 No DCT Industrial Operating Partnership LP Yes No

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 DCT Industrial Operating Partnership LP Yes No

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.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Indicate by check mark 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 Accelerated filer

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

DCT Industrial Operating Partnership LP:

Large accelerated filer Accelerated filer

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

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

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

No

As of June 30, 2016, the aggregate market value of the 89.8 million shares of voting and non-voting common stock held by non-affiliates of DCT Industrial Trust Inc. was \$4.3 billion based on the closing sale price of \$48.04 as reported on the New York Stock Exchange on June 30, 2016. (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 10, 2017 there were 91,897,137 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 May 3, 2017 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, 2016 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” or “DCT Industrial,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term “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 ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. 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, 2016, DCT owned approximately 96.3% 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.

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 3.7% of the Operating Partnership were owned by executives and non-affiliated limited partners as of December 31, 2016. 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 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;
- 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 ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. 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" or "DCT Industrial," we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term "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, 2016, DCT owned approximately 96.3% 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 and light-industrial warehouses. 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 occupancy, rents and operating income at existing properties and acquiring and developing high-quality properties with attractive operating income and value growth prospects. 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, 2016, the Company owned interests in approximately 74.0 million square feet of properties leased to approximately 900 customers, including:

- 64.7 million square feet comprising 401 consolidated operating properties that were 97.2% occupied;
- 7.8 million square feet comprising 23 unconsolidated properties that were 97.8% occupied and which we operated on behalf of two institutional capital management partners and an unconsolidated joint venture;
- 0.3 million square feet comprising three consolidated properties under redevelopment; and
- 1.2 million square feet comprising four consolidated properties which are shell-complete and in lease-up.

In addition, the Company has 10 projects under construction and several projects in pre-development. See "Notes to Consolidated Financial Statements, Note 3 – Investment in Properties" for further details.

As of December 31, 2016, our total consolidated portfolio consisted of 408 properties with an average size of 162,000 square feet and an average age of 22 years.

During the year ended December 31, 2016, we acquired eight buildings. These properties were acquired for a total purchase price of approximately \$84.3 million. During the year ended December 31, 2016, we sold 15 consolidated operating properties to third-parties for gross proceeds of approximately \$128.7 million. We recognized gains of approximately \$49.9 million on the disposition of these properties.

We have a broadly diversified customer base. As of December 31, 2016, our consolidated properties had leases with approximately 900 customers with no single customer accounting for more than 3.5% of the total annualized base rent of our properties. Our 10 largest customers occupy approximately 17.2% of our consolidated properties based on square footage and account for approximately 17.5% of our 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 555 17th Street, Suite 3700, Denver, Colorado 80202; our telephone number is (303) 597-2400. We also maintain regional offices in Atlanta, Georgia; Chicago, Illinois and Newport Beach, California and market offices in Baltimore, Maryland; Cincinnati, Ohio; Dallas, Texas; Houston, Texas; Paramus, New Jersey; Emeryville, California; Orlando, Florida; Philadelphia, Pennsylvania; 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.

Selectively Pursuing New Development. To create value and enhance the quality of our portfolio, we expect to continue developing new assets in select markets where strong tenant demand, rents and vacancy levels demonstrate the need for new construction at returns that make sense for the Company. During 2016, we acquired seven land parcels for future development totaling approximately 130.5 acres and we commenced construction on 13 development and redevelopment buildings comprising 3.7 million square feet with a projected investment of \$253.2 million. In 2016, we also stabilized 19 development and redevelopment buildings totaling 5.8 million square feet. As of December 31, 2016, there were four shell-complete buildings under development totaling 1.2 million square feet and 10 projects under construction totaling approximately 2.6 million square feet. All of the buildings under construction are projected to be completed during 2017.

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.

Recycling Capital. We intend to selectively dispose of non-strategic assets and redeploy the proceeds into higher growth acquisition and development opportunities. In 2016, we sold 15 consolidated non-strategic operating properties for gross proceeds of approximately \$128.7 million. The proceeds have been designated for deployment into higher growth assets.

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 demand leasing markets. Our properties are specifically designed to meet the warehousing needs of local, regional and national companies. The majority of our properties 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 29 years of commercial real estate experience and 18 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 approximately 90 experienced transaction and property management professionals working in 13 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.

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.

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 2012 is \$15.1 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 \$2.1 billion of real estate investments since the inception of the Company.

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 development, acquisition 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. As of December 31, 2016, we had \$323.1 million available under our \$400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling \$1.9 million. As of December 31, 2016, 355 of our consolidated properties with a gross book value of \$3.8 billion were unencumbered. During the year ended December 31, 2016, we also issued approximately 2.5 million shares of common stock through the continuous equity offering program, at a weighted average price of \$43.98 per share for proceeds of approximately \$107.0 million, net of offering expenses.

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 new development. 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 concessions, 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 “Item 1A. Risk Factors” for additional information.

Employees

As of December 31, 2016, we had 146 full-time employees.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

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.

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.

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 Policies 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, Denver, Houston, Indianapolis, Miami, 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, misrepresentations or a failure to follow such controls by an employee 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, spoofed 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 increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have significantly 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, provide appropriate training to our employees, and 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 the loss, theft or misappropriation of our property; 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, 2016, we owned 96.3% of the units of limited partnership interest in our operating partnership, or OP Units, certain unaffiliated limited partners owned 2.9% of the OP Units and certain of our officers, owned the remaining 0.8% 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;
- disruptions in the global supply chain caused by political, regulatory or other factors including terrorism;
- shifts in space utilization by tenants due to changes in technology;
- and
- changes in tax policies affecting real estate.

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 cash flow to pay operating expenses and 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 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 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 could restrict our ability to sell a property and could affect cash available for distributions to our stockholders, or limit our ability to take other actions that could otherwise be in the best interest of our stockholders. 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 2017 and subsequent years, 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, development and leasing 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.

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 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 defend or 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 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 bank unsecured credit facilities 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, 2016, 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.

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;
- change our investment strategy and enter into new lines of business that are different from, and possibly riskier than, the investments and businesses described elsewhere in this document;
- 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.

Some of these actions by our board of directors could delay, defer or prevent a change of control of our Company.

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. In addition, according to publicly released statements, a legislative priority of the current administration and Congress may be significant reform of the Code, including significant changes to taxation of business entities and the deductibility of interest expense. There is a substantial lack of clarity around the likelihood, timing and details of any such tax reform and the impact of any potential tax reform on our business and on the price of 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 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.

If a transaction intended to qualify as a Section 1031 exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax deferred basis.

From time to time we may dispose of properties in transactions that are intended to qualify as an exchange pursuant to Section 1031 of the Code (a "Section 1031 Exchange"). It is possible that the qualification of a transaction as a Section 1031 Exchange could be successfully challenged and determined to be currently taxable. In such case, our taxable income and earnings and profits would increase. This could increase the dividend income to our stockholders by reducing any return of capital they received. In some circumstances, we may be required to pay additional dividends or, in lieu of that, corporate income tax, possibly including interest and penalties. As a result, we may be required to borrow funds in order to pay additional dividends or taxes, and the payment of such taxes could cause us to have less cash available to distribute to our stockholders. In addition, if a Section 1031 Exchange were later to be determined to be taxable, we may be required to amend our tax returns for the applicable year in question, including any information reports we sent our stockholders. Moreover, it is possible that legislation could be enacted that could modify or repeal the laws with respect to Section 1031 Exchanges, which could make it more difficult or not possible for us to dispose of properties on a tax deferred basis.

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 10% 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 10% 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 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.

ITEM 2. PROPERTIES

Geographic Distribution

The following table presents the geographic diversification of our consolidated properties as of December 31, 2016:

Markets	Number of Buildings	Square Feet	Percentage of Total Square Feet	Occupancy Percentage	Annualized Base Rent ⁽¹⁾	Percentage of Total Annualized Base Rent
		(in thousands)		(%)	(in thousands)	(%)
CONSOLIDATED OPERATING:						
Atlanta	35	7,347	11.1	92.6	\$ 22,221	7.6
Baltimore/Washington D.C.	19	2,308	3.5	97.9	15,601	5.3
Charlotte	1	472	0.7	100.0	1,698	0.6
Memphis	2	1,385	2.1	100.0	3,837	1.3
Miami ⁽⁴⁾	12	1,491	2.3	99.0	11,661	3.9
Nashville	4	2,064	3.1	100.0	6,815	2.3
New Jersey	8	1,313	2.0	100.0	7,988	2.7
Orlando	21	1,962	3.0	96.0	8,072	2.8
Pennsylvania	13	3,038	4.6	100.0	13,956	4.8
East Segment Subtotal	115	21,380	32.4	96.8	91,849	31.3
Chicago	36	8,043	12.1	94.8	30,352	10.4
Cincinnati	30	3,243	4.9	95.9	11,643	4.0
Dallas	40	5,668	8.6	97.9	20,495	7.0
Houston	37	4,537	6.8	97.5	26,103	8.9
Indianapolis	2	844	1.3	100.0	3,394	1.2
Louisville	1	300	0.5	79.2	808	0.3
Central Segment Subtotal	146	22,635	34.2	96.3	92,795	31.8
Denver	8	1,115	1.7	95.4	5,546	1.9
Northern California	30	4,402	6.6	100.0	27,898	9.5
Phoenix	25	2,616	3.9	98.2	11,350	3.9
Seattle	29	3,734	5.6	97.5	20,658	7.1
Southern California ⁽⁴⁾	48	8,785	13.3	99.0	42,013	14.4
West Segment Subtotal	140	20,652	31.1	98.6	107,465	36.8
Total/weighted average – operating properties	401	64,667	97.7	97.2	292,109	99.9
DEVELOPMENT PROPERTIES:						
Atlanta	1	549	0.8	41.4	—	0.0
Dallas	1	347	0.5	52.3	—	0.0
Orlando	1	95	0.1	0.0	—	0.0
Seattle	1	251	0.4	0.0	—	0.0
Total/weighted average – development properties	4	1,242	1.8	32.9	—	0.0
REDEVELOPMENT PROPERTIES:						
Chicago	1	101	0.2	0.0	—	0.0
Seattle	1	103	0.1	38.8	276	0.1
Southern California	1	115	0.2	0.0	—	0.0
Total/weighted average – redevelopment properties	3	319	0.5	12.5	276	0.1

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Total/weighted average – consolidated properties (See footnote definitions on next page)	408	66,228	100.0 %	95.6 %	\$ 292,385	100.0 %
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The following table presents the geographic diversification of our investments in unconsolidated properties as of December 31, 2016:

Markets	Number of Buildings	Percent Owned ⁽⁵⁾	Square Feet	Percentage of Total Square Feet	Occupancy Percentage ⁽¹⁾	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent
			(in thousands)			(in thousands)	
UNCONSOLIDATED OPERATING PROPERTIES:⁽⁶⁾							
Southern California Logistics Airport (SCLA) ⁽⁷⁾	7	50.0 %	2,605	33.3 %	99.9 %	\$ 10,049	33.2 %
Total/weighted average – unconsolidated operating properties	7	50.0 %	2,605	33.3 %	99.9 %	10,049	33.2 %
OPERATING PROPERTIES IN CO-INVESTMENT VENTURES:							
Chicago	2	20.0 %	1,033	13.2 %	100.0 %	4,629	15.3 %
Cincinnati	1	20.0 %	543	6.9 %	100.0 %	2,145	7.1 %
Dallas	1	20.0 %	540	6.9 %	100.0 %	1,809	6.0 %
Denver	5	20.0 %	773	9.9 %	92.0 %	3,892	12.8 %
Louisville	3	10.0 %	609	7.8 %	82.8 %	1,652	5.4 %
Nashville	2	20.0 %	1,020	13.1 %	100.0 %	2,896	9.5 %
Orlando	2	20.0 %	696	8.9 %	100.0 %	3,231	10.7 %
Total/weighted average – co-investment operating properties	16	18.8 %	5,214	66.7 %	96.8 %	20,254	66.8 %
Total/weighted average – unconsolidated properties	23	29.2 %	7,819	100.0 %	97.8 %	\$ 30,303	100.0 %

⁽¹⁾ Based on leases commenced as of December 31, 2016.

⁽²⁾ Annualized base rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of December 31, 2016, multiplied by 12.

⁽³⁾ Excludes total annualized base rent associated with tenants currently in free rent periods of \$12.5 million, which includes our proportionate share of free rent from unconsolidated joint ventures and excludes free rent related to development and redevelopment properties not yet placed into operation or stabilized during the three months ended December 31, 2016, based on the first month of cash base rent.

⁽⁴⁾ As of December 31, 2016, our ownership interest in the Miami and Southern California properties was 99.6% and 95.2%, respectively based on our equity ownership weighted by square feet.

⁽⁵⁾ Percent owned is based on equity ownership weighted by square feet.

⁽⁶⁾ Our economic interest in unconsolidated joint ventures (as distinct from our legal ownership interest) may fluctuate from time to time and may not wholly align with our legal ownership interests because of provisions in certain joint venture agreements regarding distributions of cash flow, allocations of profits and losses, payments of preferred returns and control over major decisions. Additionally, DCT Industrial does not control our unconsolidated joint ventures and the presentation of certain items, such as assets, liabilities, revenues and expenses, from these unconsolidated joint ventures does not represent our legal claim or obligation for such items.

⁽⁷⁾ 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, 2016, 53 of our 408 consolidated properties, with a combined gross book value of approximately \$0.6 billion, were encumbered by mortgage indebtedness totaling \$200.2 million (excluding net premiums and net

deferred loan costs). See “Notes to Consolidated Financial Statements, Note 6 – Outstanding Indebtedness” and the accompanying Schedule III beginning on page F-50 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 4.3 years as of December 31, 2016. The following table presents a schedule of expiring leases for our consolidated properties by square feet and by annualized base rent as of December 31, 2016, assuming no exercise of lease renewal options, if any (dollar amounts and square feet in thousands):

Year	Square Feet Related to Expiring Leases	Percentage of Total		Annualized Percentage	
		Square Feet ⁽¹⁾	%	Base Rent of Expiring Leases ⁽²⁾	% of Total Annualized Base Rent
2017 ⁽³⁾	6,443	10.2	%	\$ 28,675	8.3 %
2018	7,239	11.4	%	33,938	9.9 %
2019	9,720	15.4	%	44,885	13.1 %
2020	7,995	12.6	%	44,183	12.9 %
2021	10,987	17.4	%	66,400	19.3 %
2022	6,184	9.8	%	32,817	9.6 %
2023	5,259	8.3	%	28,595	8.3 %
2024	2,231	3.5	%	13,169	3.8 %
2025	1,248	2.0	%	8,155	2.4 %
2026	3,603	5.7	%	21,814	6.3 %
Thereafter	2,387	3.7	%	21,025	6.1 %
Total occupied	63,296	100.0	%	\$ 343,656	100.0 %
Available or leased but not occupied	2,932				
Total consolidated properties	66,228				

(1) Percentage is based on consolidated occupied square feet as of December 31, 2016.

(2) Annualized base rent includes contractual rents in effect at the date of the lease expiration.

(3) Includes month-to-month and other short-term leases.

Customer Diversification

As of December 31, 2016, there were no customers that occupied more than 3.5% of our consolidated properties based on annualized base rent. The following table presents our 10 largest customers, based on annualized base rent as of December 31, 2016, who occupy a combined 11.4 million square feet, or 17.2%, of our consolidated properties and 17.5% of annualized base rent.

Customer	Percentage of Annualized Base Rent
Amazon.com, Inc.	3.5 %
Distributions Alternatives, Inc.	3.4 %
FedEx Corporation	1.8 %
United Parcel Service, Inc.	1.7 %
Geodis	1.6 %
The J. M. Smucker Company	1.4 %
Schenker, Inc.	1.2 %
Kellogg Company	1.0 %
The Clorox Company	1.0 %
Siemens	0.9 %
Total	17.5 %

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 frequently monitor the financial condition of our customers. We communicate often with those customers that 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.

Industry Diversification

The table below presents the diversification of our consolidated portfolio by the industry classification of our customers based upon their NAICS code as of December 31, 2016 (dollar amounts and square feet 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	290	\$ 100,991	34.5 %	23,225	36.7 %
Wholesale Trade	187	47,880	16.4 %	11,380	18.0 %
Transportation and Warehousing	119	55,040	18.8 %	11,051	17.5 %
Professional, Scientific, and Technical Services	81	29,014	9.9 %	5,944	9.4 %
Retail Trade	82	25,692	8.8 %	5,829	9.2 %
Media and Information	23	6,339	2.2 %	884	1.4 %
Administrative Support and Waste Management Services	31	5,513	1.9 %	1,265	2.0 %
Health Care and Social Assistance	8	4,363	1.5 %	613	1.0 %
Rental Companies	15	3,895	1.3 %	537	0.8 %
Other	75	13,658	4.7 %	2,568	4.0 %
Total	911	\$ 292,385	100.0 %	63,296	100.0 %

(1) Annualized base rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of December 31, 2016, multiplied by 12.

(2) Based on leases commenced as of December 31, 2016.

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 DISCLOSURES

Not applicable.

PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. 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 presents the high and low sales prices during periods presented:

Quarter Ended in 2016	High	Low
December 31,	\$48.45	\$42.96
September 30,	\$50.57	\$46.18
June 30,	\$48.05	\$39.07
March 31,	\$40.55	\$32.88

Quarter Ended in 2015	High	Low
December 31,	\$38.70	\$33.50
September 30,	\$35.42	\$31.08
June 30,	\$35.36	\$31.36
March 31,	\$38.82	\$33.49

On February 10, 2017 the closing price of our common stock was \$46.29 per share, as reported on the NYSE and there were 91,897,137 shares of common stock outstanding, held by approximately 1,600 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% (20% for tax years beginning after December 31, 2017, in accordance with the PATH Act discussed below) 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 2016, 2015 and 2014 is as follows (refer to our website for more information on the taxability of our dividends):

	2016	2015	2014
Ordinary income	80.1%	84.3%	68.9%
Return of capital	4.5 %	6.9 %	10.8%
Capital gains	15.4%	8.8 %	20.3%

The following table presents the distributions that have been declared by our board of directors on our common stock during the fiscal years ended December 31, 2016 and 2015:

Amount Declared During Quarter Ended in 2016:	Per Share	Date Paid
December 31,	\$0.31	January 5, 2017
September 30,	0.29	October 19, 2016
June 30,	0.29	July 13, 2016
March 31,	0.29	April 13, 2016
Total 2016	\$ 1.18	
Amount Declared During Quarter Ended in 2015:	Per Share	Date Paid
December 31,	\$0.29	January 7, 2016
September 30,	0.28	October 14, 2015
June 30,	0.28	July 15, 2015
March 31,	0.28	April 15, 2015
Total 2015	\$ 1.13	

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, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
DCT Industrial Trust Inc.	\$ 100.00	\$ 132.52	\$ 151.35	\$ 195.92	\$ 212.21	\$ 279.14
S&P 500	\$ 100.00	\$ 116.00	\$ 153.57	\$ 174.60	\$ 177.01	\$ 198.18
MSCI US REIT Index	\$ 100.00	\$ 117.77	\$ 120.68	\$ 157.34	\$ 161.30	\$ 175.17
FTSE NAREIT Equity Industrial Index	\$ 100.00	\$ 118.06	\$ 120.97	\$ 157.43	\$ 162.46	\$ 176.30

Note: The graph covers the period from December 31, 2011 to December 31, 2016 and assumes that \$100 was invested in DCT Industrial Trust Inc. common stock and in each index on December 31, 2011 and that all dividends were reinvested.

Operating Partnership

OP Unit Market Prices and Dividends

There is no established public market for our OP Units. On February 10, 2017 there were 3,673,681 OP Units outstanding, held by approximately 215 holders of record.

The following table presents the distributions that have been declared by our board of directors on OP Units outstanding during the fiscal years ended December 31, 2016 and 2015:

Amount Declared During Quarter Ended in 2016:	Per Unit	Date Paid
December 31,	\$0.31	January 5, 2017
September 30,	0.29	October 19, 2016
June 30,	0.29	July 13, 2016
March 31,	0.29	April 13, 2016
Total 2016	\$1.18	
Amount Declared During Quarter Ended in 2015:	Per Unit	Date Paid
December 31,	\$0.29	January 7, 2016
September 30,	0.28	October 14, 2015
June 30,	0.28	July 15, 2015
March 31,	0.28	April 15, 2015
Total 2015	\$1.13	

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, 2016, approximately 0.1 million and 0.7 million OP Units were redeemed for approximately \$3.3 million and \$5.2 million in cash and approximately 0.1 million and 0.6 million shares of DCT common stock, respectively. The OP Unit redemptions exclude LTIP Unit redemptions, see "Notes to the Consolidated Financial Statements, Note 11 – Equity Based Compensation" for further details.

Supplemental Tax Disclosures – Updates to REIT Rules

The Foreign Account Tax Compliance Act, or FATCA, imposes a U.S. federal withholding tax on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied. FATCA generally imposes a U.S. federal withholding tax at a rate of 30% on dividends on, and gross proceeds from the sale or other disposition of, its stock if paid to a foreign entity unless either (i) the foreign entity is a "foreign financial institution" that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence and reporting requirements of such agreement, (ii) the foreign entity is not a "foreign financial institution" and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is exempted under FATCA. If we determine withholding is appropriate in respect of our common stock, we may withhold tax at the applicable statutory rate, and we will not pay any additional amounts in respect of such withholding. However, under delayed effective dates provided for in the Treasury Regulations and other IRS guidance, such required withholding will not begin until January 1, 2019 with respect to gross proceeds from a sale or other disposition of our common stock.

If withholding is required under FATCA on a payment related to our common stock, holders of our common stock that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Prospective investors should consult their own tax advisors regarding the effect of FATCA on an investment in our common stock, as well as the status of any related federal regulations and any other legislative proposals that may pertain to the ownership and disposition of our common stock.

New Partnership Audit Rules. Under the Code, a partnership that is not treated as a corporation under the publicly traded partnership rules generally is not subject to U.S. federal income tax; instead, each partner is allocated its distributive share of the partnership's items of income, gain, loss, deduction and credit and is required to take such items into account in determining the partner's income. However, a law change enacted under the Bipartisan Budget Act of 2015, effective for taxable years beginning after December 31, 2017, requires the partnership to pay the hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit or in other tax proceedings, unless the partnership elects an alternative method under which the taxes resulting from the adjustment (and interest and penalties) are assessed at the partner level. Many uncertainties remain as to the application of these rules, including the application of the alternative method to partners that are REITs, and the impact they will have on us. However, it is possible, that partnerships in which we invest, including our operating partnership, may be subject to U.S. federal income tax, interest and penalties in the event of a U.S. federal income tax audit as a result of these law changes.

The "Protecting Americans from Tax Hikes Act of 2015" (the "PATH Act") was enacted on December 18, 2015 and contains several provisions pertaining to REIT qualification and taxation, which are briefly summarized below: For taxable years beginning before January 1, 2018, no more than 25% of the value of our assets may consist of stock or securities of one or more TRSs. For taxable years beginning after December 31, 2017, the Act reduces this limit to 20%.

For purposes of the REIT asset tests for taxable years beginning after December 31, 2015, the PATH Act provides that debt instruments issued by publicly offered REITs will constitute "real estate assets." However, unless such a debt instrument is secured by a mortgage or otherwise would have qualified as a real estate asset under prior law, (i) interest income and gain from such a debt instrument is not qualifying income for purposes of the 75% gross income test and (ii) all such debt instruments may represent no more than 25% of the value of our total assets.

For taxable years beginning after December 31, 2015, certain obligations secured by a mortgage on both real property and personal property will be treated as a qualifying real estate asset and give rise to qualifying income for purposes of the 75% gross income test if the fair market value of such personal property does not exceed 15% of the total fair market value of all such property.

A 100% excise tax is imposed on "redetermined TRS service income," which is income of a TRS attributable to services provided to, or on behalf of its associated REIT and which would otherwise be increased on distribution, apportionment, or allocation under Section 482 of the Code.

For distributions made in taxable years beginning after December 31, 2014, the preferential dividend rules no longer to apply to us.

Additional exceptions to the rules under the Foreign Investment in Real Property Act ("FIRPTA") were introduced for non-U.S. persons that constitute "qualified shareholders" (within the meaning of Section 897(k)(3) of the Code) or "qualified foreign pension funds" (within the meaning of Section 897(l)(2) of the Code).

After February 16, 2016, the FIRPTA withholding rate under Section 1445 of the Code for dispositions of U.S. real property interests is increased from 10% to 15%.

The PATH Act increases from 5% to 10% the maximum stock ownership of the REIT that a non-U.S. shareholder may have held to avail itself of the FIRPTA exception for shares regularly traded on an established securities market. For assets we acquired from a C corporation in a carry-over basis transaction, the Path Act, in conjunction with recently promulgated Treasury Regulations, reduces the recognition period during which we could be subject to corporate tax on any built-in gains recognized on the sale of such assets from 10 years to 5 years.

ITEM 6. SELECTED FINANCIAL DATA

The following tables present selected consolidated financial and other information of DCT and the Operating Partnership as of and for the years ended December 31, 2016, 2015, 2014, 2013, and 2012. 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,				
	2016	2015	2014	2013	2012
Operating Data:					
Rental revenues	\$ 391,360	\$ 353,091	\$ 334,787	\$ 286,218	\$ 236,839
Total revenues	\$ 392,776	\$ 354,697	\$ 336,526	\$ 289,005	\$ 240,898
Rental expenses and real estate taxes	\$ 96,817	\$ 92,214	\$ 94,310	\$ 80,025	\$ 66,390
Property net operating income ⁽¹⁾	\$ 294,543	\$ 260,877	\$ 240,477	\$ 206,193	\$ 170,449
Total operating expenses	\$ 284,678	\$ 284,672	\$ 277,688	\$ 237,741	\$ 200,972
Income (loss) from continuing operations	\$ 98,036	\$ 102,965	\$ 46,531	\$ (9,251)	\$ (28,540)
Income from discontinued operations	\$ —	\$ —	\$ 5,717	\$ 26,723	\$ 11,800
Gain on dispositions of real estate interests	\$ 49,895	\$ 77,871	\$ 39,671	\$ —	\$ —
Net income (loss) attributable to common stockholders	\$ 93,060	\$ 94,048	\$ 49,164	\$ 15,870	\$ (15,086)
Net Earnings per Common Share – Basic:					
Income (loss) from continuing operations	\$ 1.03	\$ 1.06	\$ 0.52	\$ (0.13)	\$ (0.41)
Income from discontinued operations	0.00	0.00	0.06	0.33	0.17
Net income (loss) attributable to common stockholders	\$ 1.03	\$ 1.06	\$ 0.58	\$ 0.20	\$ (0.24)
Net Earnings per Common Share – Diluted:					
Income (loss) from continuing operations	\$ 1.03	\$ 1.05	\$ 0.52	\$ (0.13)	\$ (0.41)
Income from discontinued operations	0.00	0.00	0.06	0.33	0.17
Net income (loss) attributable to common stockholders	\$ 1.03	\$ 1.05	\$ 0.58	\$ 0.20	\$ (0.24)
Weighted Average Common Shares Outstanding:					
Basic	89,867	88,182	83,280	74,692	63,708
Diluted	89,982	88,514	83,572	74,692	63,708
Amounts Attributable to Common Stockholders:					
Income (loss) from continuing operations ⁽²⁾	\$ 93,060	\$ 94,048	\$ 43,730	\$ (9,250)	\$ (25,896)
Income from discontinued operations	—	—	5,434	25,120	10,810
Net income (loss) attributable to common stockholders	93,060	94,048	49,164	15,870	(15,086)
Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)	(692)	(524)
Adjusted net income (loss) attributable to common stockholders	\$ 92,391	\$ 93,370	\$ 48,487	\$ 15,178	\$ (15,610)
Common Share Distributions:					
Common share cash distributions, declared	\$ 106,656	\$ 99,686	\$ 94,227	\$ 85,079	\$ 73,200
Common share cash distributions, declared per share	\$ 1.18	\$ 1.13	\$ 1.12	\$ 1.12	\$ 1.12
Other Data:					
Consolidated operating buildings square feet	64,667	62,215	61,976	61,896	58,132

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Consolidated operating buildings	401	394	393	395	399
Consolidated buildings square feet	66,228	63,550	64,201	63,172	61,410
Consolidated buildings	408	402	406	400	409

(See footnote definitions on page 36)

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	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Net investment in real estate	\$3,685,306	\$3,480,236	\$3,351,263	\$3,141,877	\$2,910,613
Total assets	\$3,808,142	\$3,632,355	\$3,445,721	\$3,258,967	\$3,053,192
Senior unsecured notes	\$1,351,969	\$1,276,097	\$1,117,253	\$1,115,925	\$1,021,487
Mortgage notes	\$201,959	\$210,375	\$248,979	\$290,446	\$316,820
Total liabilities	\$1,843,355	\$1,763,198	\$1,580,305	\$1,591,775	\$1,579,633
Cash Flow Data⁽³⁾:					
Net cash provided by operating activities	\$221,302	\$199,251	\$169,957	\$149,921	\$115,307
Net cash used in investing activities	\$(312,902)	\$(189,780)	\$(268,468)	\$(292,216)	\$(296,328)
Net cash provided by financing activities	\$59,796	\$16,758	\$77,038	\$164,348	\$192,694
Funds From Operations:					
Net income (loss) attributable to common stockholders	\$93,060	\$94,048	\$49,164	\$15,870	\$(15,086)
Adjustments:					
Real estate related depreciation and amortization	161,334	156,010	148,992	137,120	126,687
Equity in earnings of unconsolidated joint ventures, net	(4,118)	(7,273)	(6,462)	(2,405)	(1,087)
Equity in FFO of unconsolidated joint ventures ⁽⁴⁾	10,267	9,902	10,804	10,152	10,312
Impairment losses on depreciable real estate	—	2,285	5,767	13,279	11,422
Gain on business combination	—	—	(1,000)	—	—
Gain on dispositions of real estate interests	(49,895)	(77,871)	(45,199)	(33,650)	(13,383)
Gain on dispositions of non-depreciable real estate	43	—	98	31	—
Noncontrolling interest in the above adjustments	(5,576)	(4,487)	(6,300)	(8,211)	(12,522)
FFO attributable to unitholders	8,930	8,274	8,106	8,437	9,743
FFO attributable to common stockholders and unitholders – basic and diluted ⁽⁵⁾	214,045	180,888	163,970	140,623	116,086
Adjustments:					
Acquisition costs	1,084	1,943	3,011	3,578	1,975
Severance costs	—	3,558	—	—	—
Hedge ineffectiveness (non-cash)	(414)	—	—	—	—
FFO, as adjusted, attributable to common stockholders and unitholders– basic and diluted	\$214,715	\$186,389	\$166,981	\$144,201	\$118,061
FFO per common share and unit – basic	\$2.27	\$1.95	\$1.86	\$1.76	\$1.66
FFO per common share and unit – diluted	\$2.27	\$1.94	\$1.85	\$1.75	\$1.65
FFO, as adjusted, per common share and unit – basic	\$2.28	\$2.00	\$1.89	\$1.80	\$1.69
FFO, as adjusted, per common share and unit – diluted	\$2.27	\$2.00	\$1.89	\$1.80	\$1.68
FFO weighted average common shares and units outstanding:					
Common shares	89,867	88,182	83,280	74,692	63,708
Participating securities	563	560	605	616	474
Units	3,912	4,227	4,331	4,770	5,840
FFO weighted average common shares, participating securities and units outstanding– basic	94,342	92,969	88,216	80,078	70,022
Dilutive common stock equivalents	115	332	292	223	156
	94,457	93,301	88,508	80,301	70,178

FFO weighted average common shares and units
outstanding – diluted

(See footnote definitions on page 36)

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DCT Operating Partnership

For the Years Ended December 31,

	2016	2015	2014	2013	2012
Operating Data:					
Rental revenues	\$ 391,360	\$ 353,091	\$ 334,787	\$ 286,218	\$ 236,839
Total revenues	\$ 392,776	\$ 354,697	\$ 336,526	\$ 289,005	\$ 240,898
Rental expenses and real estate taxes	\$ 96,817	\$ 92,214	\$ 94,310	\$ 80,025	\$ 66,390
Property net operating income ⁽¹⁾	\$ 294,543	\$ 260,877	\$ 240,477	\$ 206,193	\$ 170,449
Total operating expenses	\$ 284,678	\$ 284,672	\$ 277,688	\$ 237,741	\$ 200,972
Income (loss) from continuing operations	\$ 98,036	\$ 102,965	\$ 46,531	\$ (9,251)	\$ (28,540)
Income from discontinued operations	\$ —	\$ —	\$ 5,717	\$ 26,723	\$ 11,800
Gain on dispositions of real estate interests	\$ 49,895	\$ 77,871	\$ 39,671	\$ —	\$ —
Net income (loss) attributable to OP Unitholders	\$ 97,112	\$ 98,556	\$ 51,722	\$ 16,883	\$ (16,468)
Net Earnings per OP Unit – Basic:					
Income (loss) from continuing operations	\$ 1.03	\$ 1.06	\$ 0.52	\$ (0.13)	\$ (0.41)
Income from discontinued operations	0.00	0.00	0.06	0.33	0.17
Net income (loss) attributable to OP Unitholders	\$ 1.03	\$ 1.06	\$ 0.58	\$ 0.20	\$ (0.24)
Net Earnings per OP Unit – Diluted:					
Income (loss) from continuing operations	\$ 1.03	\$ 1.06	\$ 0.52	\$ (0.13)	\$ (0.41)
Income from discontinued operations	0.00	0.00	0.06	0.33	0.17
Net income (loss) attributable to OP Unitholders	\$ 1.03	\$ 1.06	\$ 0.58	\$ 0.20	\$ (0.24)
Weighted Average OP Units Outstanding:					
Basic	93,779	92,409	87,611	79,462	69,547
Diluted	93,894	92,741	87,903	79,462	69,547
Amounts Attributable to OP Unitholders:					
Income (loss) from continuing operations ⁽²⁾	\$ 97,112	\$ 98,556	\$ 46,005	\$ (9,840)	\$ (28,268)
Income from discontinued operations	—	—	5,717	26,723	11,800
Net income (loss) attributable to OP Unitholders	97,112	98,556	51,722	16,883	(16,468)
Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)	(692)	(524)
Adjusted net income (loss) attributable to OP Unitholders	\$ 96,443	\$ 97,878	\$ 51,045	\$ 16,191	\$ (16,992)
OP Units Distributions:					
OP Unit cash distributions, declared	\$ 111,692	\$ 104,432	\$ 98,954	\$ 90,352	\$ 79,459
OP Unit cash distributions, declared per unit	\$ 1.18	\$ 1.13	\$ 1.12	\$ 1.12	\$ 1.12
Other Data:					
Consolidated operating buildings square feet	64,667	62,215	61,976	61,896	58,132
Consolidated operating buildings	401	394	393	395	399
Consolidated buildings square feet	66,228	63,550	64,201	63,172	61,410
Consolidated buildings	408	402	406	400	409

(See footnote definitions on page 36)

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	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:					
Net investment in real estate	\$3,685,306	\$3,480,236	\$3,351,263	\$3,141,877	\$2,910,613
Total assets	\$3,808,142	\$3,632,355	\$3,445,721	\$3,258,967	\$3,053,192
Senior unsecured notes	\$1,351,969	\$1,276,097	\$1,117,253	\$1,115,925	\$1,021,487
Mortgage notes	\$201,959	\$210,375	\$248,979	\$290,446	\$316,820
Total liabilities	\$1,843,355	\$1,763,198	\$1,580,305	\$1,591,775	\$1,579,633
Cash Flow Data⁽³⁾:					
Net cash provided by operating activities	\$221,302	\$199,251	\$169,957	\$149,921	\$115,307
Net cash used in investing activities	\$(312,902)	\$(189,780)	\$(268,468)	\$(292,216)	\$(296,328)
Net cash provided by financing activities	\$59,796	\$16,758	\$77,038	\$164,348	\$192,694
Funds From Operations:					
Net income (loss) attributable to OP Unitholders	\$97,112	\$98,556	\$51,722	\$16,883	\$(16,468)
Adjustments:					
Real estate related depreciation and amortization	161,334	156,010	148,992	137,120	126,687
Equity in earnings of unconsolidated joint ventures, net	(4,118)	(7,273)	(6,462)	(2,405)	(1,087)
Equity in FFO of unconsolidated joint ventures ⁽⁴⁾	10,267	9,902	10,804	10,152	10,312
Impairment losses on depreciable real estate	—	2,285	5,767	13,279	11,422
Gain on business combination	—	—	(1,000)	—	—
Gain on dispositions of real estate interests	(49,895)	(77,871)	(45,199)	(33,650)	(13,383)
Gain on dispositions of non-depreciable real estate	43	—	98	31	—
Noncontrolling interest in the operating partnership's share of the above adjustments	(698)	(721)	(752)	(787)	(1,397)
FFO attributable to OP Unitholders – basic and diluted ⁽⁵⁾	214,045	180,888	163,970	140,623	116,086
Adjustments:					
Acquisition costs	1,084	1,943	3,011	3,578	1,975
Severance costs	—	3,558	—	—	—
Hedge ineffectiveness (non-cash)	(414)	—	—	—	—
FFO, as adjusted, attributable to OP Unitholders – basic and diluted	\$214,715	\$186,389	\$166,981	\$144,201	\$118,061
FFO per OP unit – basic	\$2.27	\$1.95	\$1.86	\$1.76	\$1.66
FFO per OP unit – diluted	\$2.27	\$1.94	\$1.85	\$1.75	\$1.65
FFO, as adjusted, per OP Unit – basic	\$2.28	\$2.00	\$1.89	\$1.80	\$1.69
FFO, as adjusted, per OP Unit – diluted	\$2.27	\$2.00	\$1.89	\$1.80	\$1.68
FFO weighted average OP Units outstanding:					
OP Units	93,779	92,409	87,611	79,462	69,548
Participating securities	563	560	605	616	474
FFO weighted average OP Units and participating securities – basic	94,342	92,969	88,216	80,078	70,022
Dilutive unit equivalents	115	332	292	223	156
FFO weighted average OP Units outstanding – diluted	94,457	93,301	88,508	80,301	70,178

(See footnote definitions on page 36)

The following table is a reconciliation of our property net operating income, or NOI, to our reported “Income (loss) from continuing operations” (in thousands):

	For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Property NOI ⁽¹⁾	\$294,543	\$260,877	\$240,477	\$206,193	\$170,449
Institutional capital management and other fees	1,416	1,606	1,739	2,787	4,059
Casualty and involuntary conversion gain	2,753	414	328	296	1,174
Gain on dispositions of real estate interests	49,895	77,871	39,671	—	—
Gain on business combination	—	—	1,000	—	—
Development profit, net of taxes	—	2,627	2,016	268	307
Impairment losses	—	(2,285)	(5,635)	—	—
Real estate related depreciation and amortization	(161,334)	(156,010)	(148,992)	(130,002)	(109,993)
General and administrative	(29,280)	(34,577)	(29,079)	(28,010)	(25,763)
Equity in earnings of unconsolidated joint ventures, net	4,118	7,273	6,462	2,405	1,087
Interest expense	(64,035)	(54,055)	(63,236)	(63,394)	(69,274)
Interest and other income (expense)	551	(40)	1,563	274	85
Income tax benefit (expense) and other taxes	(591)	(736)	217	(68)	(671)
Income (loss) from continuing operations	\$98,036	\$102,965	\$46,531	\$(9,251)	\$(28,540)

Property net operating income (“NOI”) is defined as rental revenues, which includes 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. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not

⁽¹⁾ considered to be controllable in connection with the management of the properties such as amortization, depreciation, impairment, interest expense, interest and other income, income tax expense and other taxes and general and administrative expenses. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

⁽²⁾ Includes gain on dispositions of non-depreciable assets and gains on dispositions not meeting the definition of a discontinued operation. Such definition changed in 2014, see “Notes to the Consolidated Financial Statements, “Note 2 – Summary of Significant Accounting policies” for further discussion.

⁽³⁾ Information for all periods presented has been retroactively restated to reflect the Company's 2016 early adoption of ASU 2016–18 related to the presentation of restricted cash and cash equivalents. See “Notes to the Consolidated Financial Statements, “Note 2 – Summary of Significant Accounting policies” for further discussion.

⁽⁴⁾ Equity in FFO of unconsolidated joint ventures is determined as our share of FFO from each unconsolidated joint venture.

⁽⁵⁾ 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 measurable decreases in the fair value of the depreciable real estate held by the unconsolidated joint ventures and adjustments to derive DCT Industrial’s proportionate 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, as adjusted, which excludes hedge ineffectiveness, certain severance costs, acquisition costs, debt modification costs and impairment losses on properties which are not depreciable. We believe that FFO excluding hedge ineffectiveness, certain severance costs, 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.

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 ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. 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" or "DCT Industrial," we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term "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, 2016, DCT owned approximately 96.3% 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 36, 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 development and redevelopment 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 per share and shareholder value primarily through increasing cash flow at existing properties and developing and acquiring 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 in 2017, which we expect to 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. Rental concessions, such as free rent, remain at historically low levels. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed during 2017 to be higher than the rates on expiring leases.

New development, including speculative development, is present in most markets in response to strong tenant demand for high-quality space. However, construction remains rational in relation to net absorption in most markets and below historical peak levels. We expect that the operating environment will continue to be favorable for lessors given our favorable outlook for market occupancy levels and rental rate growth.

We expect same store net operating income to be higher in 2017 than it was in 2016, primarily as a result of the impact of increasing rental rates on leases signed in 2016 and 2017 compared to expiring leases.

In terms of capital investment, we will continue to pursue selective development of new buildings and the opportunistic acquisition of 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 to fund our investment in developments and acquisitions in an effort to enhance long-term growth in our net asset value, earnings and cash flows as well as to improve the overall quality of our portfolio.

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

The U.S. economy has experienced low inflation over the past several years and as a result, inflation has not had a significant impact on our business. Moreover, most of our leases require the customers to pay their share of the cost to operate our properties, 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. While slowing global growth has the potential to dampen demand for distribution space, we have not yet seen any indications of this reduced demand.

Summary of Significant Transactions and Activities for the Year Ended December 31, 2016

Acquisitions

During the year ended December 31, 2016, we acquired eight buildings comprising 1.0 million square feet in the Chicago, Cincinnati, Dallas, Denver, Northern California and Southern California markets for a total purchase price of approximately \$84.3 million. Weighted average occupancy upon the acquisition of the properties was 87.8%. Additionally, during the year ended December 31, 2016, we acquired 130.5 acres of land in the Baltimore/Washington D.C., Chicago, Dallas, Denver, Miami and Seattle markets for approximately \$43.8 million that is under construction or held for future development.

Development Activities

During the year ended December 31, 2016, we stabilized 19 development and redevelopment buildings totaling 5.8 million square feet in our Atlanta, Baltimore/Washington D.C., Chicago, Dallas, Houston, Northern California, Orlando, Seattle and Southern California markets, including one building in our unconsolidated SCLA joint venture. In 2016, we commenced construction on 13 development and redevelopment buildings, including one building in our unconsolidated SCLA joint venture, comprising 3.7 million square feet with a projected investment of \$253.2 million. As of December 31, 2016, we completed shell construction on four buildings totaling 1.2 million square feet in the Atlanta, Dallas, Orlando and Seattle markets which were 32.9% leased and occupied.

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The table below presents a summary of development activities as of December 31, 2016 (square feet and dollar amounts in thousands):

Project	Market	Acres	Number of Buildings	Square Feet	Percentage Owned ⁽¹⁾	Cumulative Costs at 12/31/2016	Projected Investment	Completion Date ⁽²⁾	Percentage Leased ⁽³⁾
Consolidated Development Activities:									
Development Projects in Lease Up									
DCT North									
Satellite Distribution Center	Atlanta	47	1	549	100 %	\$ 24,074	\$ 29,894	Q4-2016	41 %
DCT Waters Ridge	Dallas	18	1	347	100 %	18,501	20,509	Q4-2016	52 %
DCT Airport Distribution Center Building D	Orlando	6	1	95	100 %	5,779	7,092	Q3-2016	0 %
DCT White River Corporate Center North	Seattle	13	1	251	100 %	17,923	21,036	Q4-2016	0 %
	Sub Total	84	4	1,242	100 %	\$ 66,277	\$ 78,531		33 %
Under Construction									
DCT Central Avenue	Chicago	54	1	190	100 %	\$ 33,065	\$ 62,523	Q3-2017	100 %
DCT Stockyards Industrial Center	Chicago	10	1	167	100 %	11,158	15,509	Q1-2017	0 %
DCT Greenwood	Chicago	8	1	140	100 %	1,989	11,313	Q4-2017	0 %
DCT Miller Road	Dallas	17	1	270	100 %	3,357	15,247	Q3-2017	0 %
DCT DFW Trade Center	Dallas	10	1	112	100 %	2,171	9,606	Q3-2017	0 %
DCT Commerce Center Building C	Miami	8	1	136	100 %	11,937	14,731	Q1-2017	86 %
DCT Commerce Center Building E	Miami	10	1	162	100 %	6,760	18,931	Q4-2017	83 %
Seneca Commerce Center Building I	Miami	13	1	222	90 %	3,877	21,811	Q3-2017	0 %
DCT Arbor Avenue	No. California	40	1	796	100 %	20,790	52,957	Q3-2017	0 %
SCLA Building 18 ⁽⁴⁾	So. California	16	1	370	50 % ⁽⁵⁾	1,612	17,555	Q3-2017	42 %
	Sub Total	186	10	2,565	92 %	\$ 96,716	\$ 240,183		23 %
	Total	270	14	3,807	95 %	\$ 162,993	\$ 318,714		26 %

(1) Percentage owned is based on equity ownership weighted by square feet.

(2) The completion date represents the date of building shell-completion or estimated date of shell-completion.

(3) Percentage leased is computed as of the date the financial statements were available to be issued.

(4) During December 2016, DCT commenced construction on SCLA Building 18, a 370,000 square foot building in our SCLA unconsolidated joint venture. The cumulative costs of \$1.6 million represent the unconsolidated joint venture's cumulative costs and are not included in our "Properties under development" in our "Notes to Consolidated Financial Statements, Note 3 – Investment in Properties" as of December 31, 2016.

(5) 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.

Dispositions

During the year ended December 31, 2016, we sold 15 consolidated operating properties, totaling 2.9 million square feet, located in our Chicago, Dallas, Houston, Indianapolis, Louisville and Northern California markets, to third-parties for gross proceeds of approximately \$128.7 million. We recognized gains of approximately \$49.9 million on the disposition of these properties.

Debt Activity

As of December 31, 2016, we had \$75.0 million outstanding and \$323.1 million available under our \$400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling \$1.9 million.

During August 2016, we issued \$250.0 million of fixed rate senior unsecured notes in a private placement offering. The notes have an average term of 10 years, a weighted average interest rate of 3.90% and require semi-annual interest payments. We primarily used the proceeds to paydown our senior unsecured revolving credit facility, payoff a \$49.0 million senior unsecured note at maturity and for the early payoff of a \$75.0 million portion of our \$100.0 million senior unsecured term loan maturing in April 2017.

•Equity Activity

On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013. During the year ended December 31, 2016, we issued approximately 2.5 million shares of common stock through the continuous equity offering program, at a weighted average price of \$43.98 per share for proceeds of approximately \$107.0 million, net of offering expenses. The proceeds from the sale of shares of common stock were contributed to the Operating Partnership for an equal number of OP units in the Operating Partnership and were used for general corporate purposes, including funding developments and redevelopments and repaying debt. As of December 31, 2016, approximately 2.5 million shares of common stock remain available to be issued under the current offering.

Other Events

In May 2015, we determined that we had been the victim of a criminal fraud involving the impersonation of our Chief Executive Officer resulting in our transfer of \$6.1 million to third-party overseas accounts. As a result of efforts working with our bank and federal law enforcement authorities, we have recovered approximately \$3.0 million of the amount transferred. In addition, we have incurred \$0.3 million of other costs related to the investigation of this incident. We filed a claim with our insurance carriers related to this incident and received \$0.8 million in insurance proceeds through December 31, 2015. Accordingly, during the year ended December 31, 2015, we recorded an expense of \$2.6 million in “General and administrative” expense related to this incident and the associated internal investigation. We do not expect any additional recoveries in the future.

Critical Accounting Policies and Estimates

General

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (“GAAP”) requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or a different presentation of our financial statements. 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 GAAP. Estimates, judgments and assumptions are based on historical experiences that we believe to be reasonable under the circumstances. From time to time we re-evaluate those estimates and assumptions.

The Company’s significant accounting policies are described in “Notes to the Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies”. These policies were followed in preparing the Consolidated Financial Statements as of and for the year ended December 31, 2016 and are consistent with the year ended December 31, 2015.

The Company has identified the following significant accounting policies as critical accounting policies. These accounting policies have the most significant impact on our financial condition and results of operations and require management’s most difficult, subjective and/or complex estimates.

Capitalization of Costs

See the Company’s accounting policy for Capitalization of Costs with respect to capitalization of project costs versus the expensing of repair and maintenance costs as described in “Notes to the Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies”. As described in our policy, we capitalize costs such as personnel, office and other expenses based on an estimate of the time spent on projects that are directly related to capital projects and acquisition of leases. Capitalized costs are recorded on the Consolidated Balance Sheets in construction in progress for each specific property.

For all development projects, the Company uses its professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company capitalizes interest, real estate taxes, insurance, payroll and costs associated with individuals directly responsible for and who spend their time on development activities. Capitalization is ceased upon substantial completion of the project. These costs are recorded on the Consolidated Balance Sheets in construction in progress for each specific property.

Acquisition of Investment Properties

The Company allocates the purchase price of real estate to identifiable tangible assets such as land, building, land improvements and tenant improvements acquired based on their fair value. In estimating the fair value of each component management considers appraisals, replacement cost, its own analysis of recently acquired and existing comparable properties, market rental data and other related information.

Impairment of Properties

The Company periodically evaluates its long-lived assets, including investments in properties, for indicators of impairment. The judgements regarding the existence of indicators of impairment are based on the operating performance, market conditions, as well as the Company's ability to hold and its intent with regard to each property. The judgements regarding whether the carrying amounts of these assets may not be recoverable are based on estimates of future undiscounted cash flows from properties which include estimates of future operating performance and market conditions.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

The Company evaluates 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. The judgments regarding other-than-temporary declines in value are based on operating performance, market conditions and the Company's ability and intent to hold as well as its ability to influence significant decisions of the venture.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments regarding fair value, the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in the fair value of the derivative instruments are reported in our Consolidated Statement of Operations as a component of net income or as a component of other comprehensive income and as a component of accumulated other comprehensive income within equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity.

Revenue Recognition

At the inception of a new lease arrangement, including new leases that arise from amendments, we assess the terms and conditions to determine the proper lease classification. A lease arrangement is classified as an operating lease if none of the following criteria are met: (i) transfer of ownership to the lessee, (ii) lessee has a bargain purchase option during or at the end of the lease term, (iii) the lease term is equal to 75% or more of the underlying property's economic life, or (iv) the present value of future minimum lease payments (excluding executory costs) are equal to 90% or more of the excess estimated fair value (over retained investment tax credits) of the leased building. Generally, none of our leases meet any of the above criteria and, as such, are classified as operating leases. If the assumptions utilized in the above classification assessments were different, our lease classification for accounting purposes may have been different; thus the timing and amount of our revenue recognized would have been impacted, which may be material to our Consolidated Financial Statements.

We recognize rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the property.

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 on the Consolidated Balance Sheets as a straight-line rent receivable.

If the lease provides for tenant improvements, we determine whether the tenant improvements are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical leased asset until the tenant improvements are substantially completed. When the Company is the owner of the tenant improvements, any tenant improvements funded by the tenant are treated as lease payments which are deferred and amortized into income over the lease term. When the tenant is the

owner of the tenant improvements, we record any tenant improvement allowance funded as a lease incentive and amortize it as a reduction of revenue over the lease term.

Above and below market lease values for acquired properties are recorded as the difference between the contractual amounts to be paid pursuant to each in-place lease and management's estimate of fair market lease rates for each corresponding in-place lease and amortized over the reasonably assured lease term.

Results of Operations

Summary of the year ended December 31, 2016 compared to the year ended December 31, 2015

We are a leading industrial real estate company specializing in the ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. Our actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. As of December 31, 2016, the Company owned interests in or had under development approximately 74.0 million square feet of properties leased to approximately 900 customers, including 5.2 million square feet managed on behalf of two institutional capital management joint venture partners and 2.6 million square feet in an unconsolidated joint venture. As of December 31, 2016, we consolidated 401 operating properties, four development properties and three redevelopment properties totaling 66.2 million square feet. As of December 31, 2015, we consolidated 390 operating properties, three development properties, five redevelopment properties and four consolidated operating properties classified as held for sale totaling 63.4 million square feet.

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

The following table presents 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, 2016 compared to the year ended December 31, 2015. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. We consider same store properties to be a useful measure to improve comparability between periods by excluding the effects of changes in our consolidated operating properties period over period. Developed properties are included in same store properties once they are stabilized in both reporting periods. We generally consider buildings stabilized when occupancy reaches 90%. Non-same store operating properties include properties not meeting the same store criteria and exclude development and redevelopment properties that are not stabilized or ready for their intended use. For the year ended December 31, 2016, we had 344 properties classified as same store comprising 52.5 million square feet and 64 classified as non-same store consisting of properties that did not meet our same store definition, which includes 57 operating properties and seven development and redevelopment properties that were not stabilized. A discussion of these changes follows in the table below (in thousands):

	For the Year Ended December 31,			
	2016	2015	\$ Change	Percent Change
Rental Revenues				
Same store	\$319,026	\$304,694	\$14,332	4.7 %
Non-same store operating properties	71,767	46,100	25,667	55.7 %
Development and redevelopment	567	2,297	(1,730)	-75.3 %
Total rental revenues	391,360	353,091	38,269	10.8 %
Rental Expenses and Real Estate Taxes				
Same store	81,034	78,367	2,667	3.4 %
Non-same store operating properties	15,512	12,981	2,531	19.5 %
Development and redevelopment	271	866	(595)	-68.7 %
Total rental expenses and real estate taxes	96,817	92,214	4,603	5.0 %
Property Net Operating Income⁽¹⁾				
Same store	237,992	226,327	11,665	5.2 %
Non-same store operating properties	56,255	33,119	23,136	69.9 %
Development and redevelopment	296	1,431	(1,135)	-79.3 %
Total property net operating income	294,543	260,877	33,666	12.9 %
Other Revenue and Other Income				
Institutional capital management and other fees	1,416	1,606	(190)	-11.8 %
Casualty gain	2,753	414	2,339	565.0 %
Development profit, net of taxes	—	2,627	(2,627)	-100.0 %
Equity in earnings of unconsolidated joint ventures, net	4,118	7,273	(3,155)	-43.4 %
Gain on dispositions of real estate interests	49,895	77,871	(27,976)	-35.9 %
Interest and other income (expense)	551	(40)	591	1,477.5 %
Total other revenue and other income	58,733	89,751	(31,018)	-34.6 %
Other Expenses				
Real estate related depreciation and amortization	161,334	156,010	5,324	3.4 %
Interest expense	64,035	54,055	9,980	18.5 %
General and administrative	29,280	34,577	(5,297)	-15.3 %
Impairment losses	—	2,285	(2,285)	-100.0 %
Income tax expense and other taxes	591	736	(145)	-19.7 %
Total other expenses	255,240	247,663	7,577	3.1 %
Net income attributable to noncontrolling interests of the Operating Partnership	(924)	(4,409)	3,485	79.0 %
Net income attributable to OP Unitholders	97,112	98,556	(1,444)	-1.5 %

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Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(4,052)	(4,508)	456	10.1	%
Net income attributable to common stockholders	\$93,060	\$94,048	\$(988)	-1.1	%

For a discussion as to why we view property net operating income to be an appropriate supplemental performance (1) measure and a reconciliation of our property net operating income to our reported "Income (loss) from continuing operations," see page 36.

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Rental Revenues and Leasing Activity

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, other rental revenues and early lease termination fees, increased \$38.3 million for the year ended December 31, 2016 compared to the same period in 2015, primarily due to the following changes: \$25.7 million increase in total revenues in our non-same store portfolio, of which \$46.2 million is attributed to 22 operating property acquisitions and 35 development and redevelopment properties placed into operation since January 1, 2015, offset in part by a \$20.5 million decrease attributed to 45 consolidated property dispositions since January 1, 2015.

\$14.3 million increase in total revenues in our same store portfolio primarily due to the following:

\$10.1 million increase in base rent primarily resulting from increased rental rates and a 180 basis point increase in average occupancy period over period;

\$5.1 million increase in operating expense recoveries related to higher average occupancy and increases in property tax expense;

\$0.6 million increase in straight-line rental revenue; and

\$0.3 million increase in miscellaneous income from tenants primarily due to move-out repairs; which was partially offset by

\$1.6 million decrease in early lease termination fees attributable to six tenants in 2015; and

\$0.2 million decrease in below market rent adjustments.

\$1.7 million decrease in development and redevelopment revenues due to three properties that were in our operating portfolio prior to January 1, 2016.

The following table presents the components of our consolidated rental revenues (in thousands):

	For the Year Ended December 31,			
	2016	2015	\$ Change	Percent Change
Base rent	\$270,223	\$255,631	\$14,592	5.7 %
Straight-line rent	20,671	7,072	13,599	192.3 %
Amortization of above and below market rent intangibles	2,881	2,983	(102)	(3.4)%
Tenant recovery income	92,036	82,311	9,725	11.8 %
Other	4,640	2,592	2,048	79.0 %
Revenues related to early lease terminations	909	2,502	(1,593)	(63.7)%
Total rental revenues	\$391,360	\$353,091	\$38,269	10.8 %

The following table provides a summary of our leasing activity for the year ended December 31, 2016:

YEAR TO DATE 2016	Number of Leases Signed	Square Feet Signed ⁽¹⁾	Net Effective Rent Per Square Foot ⁽²⁾	Straight-Line Basis Rent Growth ⁽³⁾	Weighted Average Lease Term ⁽⁴⁾	Turnover Costs Per Square Foot ⁽⁵⁾
New	87	4,736	N/A	14.6 %	67	\$ 5.12
Renewal	131	7,800	N/A	20.4 %	52	1.56
Development and redevelopment	21	1,753	N/A	N/A	77	N/A
Total/Weighted Average	239	14,289	\$ 5.10	18.4 %	60	\$ 2.90
Weighted Average Retention ⁽⁶⁾	76.4 %					

(1) Excludes month-to-month leases and other short-term leases.

(2) Net effective rent is the average monthly base rental income over the term of the lease, calculated in accordance with GAAP.

(3)

Straight-line basis rent growth is the percentage change in monthly net effective rent of the comparable lease. New leases where there were no prior comparable leases or materially different lease structures are excluded.

(4) Assumes no exercise of lease renewal options, if any.

Turnover costs are comprised of the costs incurred or capitalized for improvements of vacant and renewal spaces, as well as the commissions paid and costs capitalized for leasing transactions. Turnover costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and do not reflect actual expenditures for the period.

(6) Represents the percentage of customers renewing their respective leases weighted by average square feet.

During the year ended December 31, 2016, we signed a total of 239 leases comprising 14.3 million square feet of which 99 leases totaling 7.0 million square feet included concessions of \$10.2 million primarily related to free rent periods.

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes, which are comprised of insurance, common area maintenance, utilities, property management fees and other rental expenses, and real estate taxes, increased by \$4.6 million for the year ended December 31, 2016 compared to the same period in 2015, primarily due to the following:

\$2.7 million increase in rental expenses and real estate taxes period over period in our same store portfolio primarily due to an increase in property taxes in our Baltimore/Washington D.C., Chicago, Houston, New Jersey, Northern California and Seattle markets; and

\$8.1 million increase in rental expenses and real estate taxes related to our non-same store properties primarily due to an increase in property taxes in our Atlanta, Dallas, Houston, Seattle and Southern California markets; offset in part by

\$6.2 million decrease primarily related to dispositions in the Chicago, Houston, Indianapolis and New Jersey markets.

The following table presents the various components of our rental expenses and real estate taxes (in thousands):

	For the Year Ended December 31,			
	2016	2015	\$ Change	Percent Change
Real estate taxes	\$60,020	\$56,219	\$3,801	6.8 %
Insurance	4,533	4,898	(365)	(7.5)%
Common area maintenance	15,638	15,609	29	0.2 %
Utilities	4,784	4,629	155	3.3 %
Property management fees	10,049	9,623	426	4.4 %
Other	1,793	1,236	557	45.1 %
Total rental expenses and real estate taxes	\$96,817	\$92,214	\$4,603	5.0 %

Other Revenue and Other Income

Total other revenue and other income decreased \$31.0 million for the year ended December 31, 2016 compared to the same period in 2015, primarily due the following:

\$28.0 million decrease in gain on dispositions of real estate interests primarily related to gains of \$49.9 million recognized on the disposition of 15 properties in the Chicago, Dallas, Houston, Indianapolis, Louisville and Northern California markets during 2016, compared to gains of \$77.9 million recognized on the disposition of 28 properties in the Atlanta, Houston, Indianapolis, Louisville, Memphis, New Jersey and Pennsylvania markets during 2015;

\$3.2 million decrease in equity in earnings of unconsolidated joint ventures, net, primarily related to \$3.7 million of gain recognized on the sale of one property in the IDI/DCT, LLC joint venture during 2015, offset in part by increased earnings from our unconsolidated investments in the SCLA and DCT/SPF Industrial Operating LLC joint ventures due to increased occupancy; and

\$2.6 million decrease in development profit, net of taxes related to the completion and sales of 8th & Vineyard C, 8th & Vineyard D and 8th & Vineyard E to third-parties during 2015 with no corresponding activity during 2016; which was partially offset by

\$2.3 million increase in casualty gain primarily related to \$2.8 million in insurance settlements from casualty events in our Dallas and Northern California markets during 2016 compared to \$0.4 million of casualty gain related to insurance recoveries received for damages at our properties caused by a series of storms in 2015; and

\$0.6 million increase in interest and other income (expense) primarily related to proceeds received in 2016 from a legal settlement related to damages at several properties located in the Houston market.

Other Expenses

Other expenses increased \$7.6 million for the year ended December 31, 2016 compared to the same period in 2015, primarily due to the following:

\$10.0 million increase in interest expense due to the following:

\$5.9 million decrease in capitalized interest primarily related to the cessation of capitalization on 35 developments placed into service compared to the same period in 2015; and

\$4.5 million increase due to increased average outstanding indebtedness of approximately \$88.8 million during 2016 and a higher weighted average effective interest rate during 2016 compared to the same period in 2015; which was partially offset by

\$0.4 million of hedge ineffectiveness recognized during 2016 related to our \$200.0 million 2015 term note hedge.

\$5.3 million increase in depreciation and amortization expense resulting from a \$18.1 million increase related to real estate acquisitions, developments placed in service and capital additions; partially offset by \$8.7 million related to real estate dispositions and \$4.1 million related to same store tenant improvements that were fully amortized during 2015; which was partially offset by

- \$5.3 million decrease in general and administrative expenses primarily related to the following:

- \$3.6 million decrease in severance costs;

- \$2.6 million decrease resulting from an expense in 2015 related to criminal fraud and the associated legal expenses incurred in relation to the investigation of the incident; and

- \$0.9 million decrease in acquisition costs due to lower acquisition activity; which was partially offset by

- \$1.2 million increase in personnel cost;

- \$0.4 million increase in professional service fees due to litigation costs; and

- \$0.2 million increase in general and administrative expenses due to decreased capitalized overhead.

- \$2.3 million decrease in impairments due to \$2.3 million recognized on two properties sold during 2015 with no corresponding activity during 2016.

Summary of the year ended December 31, 2015 compared to the year ended December 31, 2014

As of December 31, 2015, we consolidated 390 operating properties, three development properties, five redevelopment properties and four consolidated operating properties classified as held for sale. As of December 31, 2014, we consolidated 393 operating properties, seven development properties and six redevelopment properties.

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

The following table presents 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, 2015 compared to the year ended December 31, 2014. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. We consider same store properties to be a useful measure to improve comparability between periods by excluding the effects of changes in our consolidated operating properties period over period. Developed properties are included in same store properties once they are stabilized in both reporting periods. We generally consider buildings stabilized when occupancy reaches 90%. Non-same store operating properties include properties not meeting the same store criteria and exclude development and redevelopment properties that are not stabilized or ready for their intended use. For the year ended December 31, 2015, we had 311 properties classified as same store comprising 46.5 million square feet and 91 classified as non-same store consisting of properties that did not meet our same store definition, which includes 83 operating properties and eight development and redevelopment properties that were not stabilized. A discussion of these changes follows in the table below (in thousands):

	For the Year Ended December 31,			
	2015	2014	\$ Change	Percent Change
Rental Revenues				
Same store	\$269,047	\$258,886	\$10,161	3.9 %
Non-same store operating properties	81,748	72,844	8,904	12.2 %
Development and redevelopment	2,296	3,057	(761)	-24.9 %
Total rental revenues	353,091	334,787	18,304	5.5 %
Rental Expenses and Real Estate Taxes				
Same store	69,671	70,283	(612)	-0.9 %
Non-same store operating properties	21,677	22,655	(978)	-4.3 %
Development and redevelopment	866	1,372	(506)	-36.9 %
Total rental expenses and real estate taxes	92,214	94,310	(2,096)	-2.2 %
Property Net Operating Income⁽¹⁾				
Same store	199,376	188,603	10,773	5.7 %
Non-same store operating properties	60,071	50,189	9,882	19.7 %
Development and redevelopment	1,430	1,685	(255)	-15.1 %
Total property net operating income	260,877	240,477	20,400	8.5 %
Other Revenue and Other Income				
Institutional capital management and other fees	1,606	1,739	(133)	-7.6 %
Casualty and involuntary conversion gain	414	328	86	26.2 %
Development profit, net of taxes	2,627	2,016	611	30.3 %
Equity in earnings of unconsolidated joint ventures, net	7,273	6,462	811	12.6 %
Gain on business combination	—	1,000	(1,000)	-100.0 %
Gain on dispositions of real estate interests	77,871	39,671	38,200	96.3 %
Interest and other income (expense)	(40)	1,563	(1,603)	-102.6 %
Total other revenue and other income	89,751	52,779	36,972	70.1 %
Other Expenses				
Real estate related depreciation and amortization	156,010	148,992	7,018	4.7 %
Interest expense	54,055	63,236	(9,181)	-14.5 %
General and administrative	34,577	29,079	5,498	18.9 %
Impairment losses	2,285	5,635	(3,350)	-59.4 %
Income tax (benefit) expense and other taxes	736	(217)	953	439.2 %
Total other expenses	247,663	246,725	938	0.4 %
Income from discontinued operations	—	5,717	(5,717)	-100.0 %
	(4,409)	(526)	(3,883)	-738.2 %

Net income attributable to noncontrolling interests of the Operating Partnership

Net income attributable to OP Unitholders	98,556	51,722	46,834	90.5	%
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(4,508	) (2,558	) (1,950	) -76.2	%
Net income attributable to common stockholders	\$94,048	\$49,164	\$44,884	91.3	%

For a discussion as to why we view property net operating income to be an appropriate supplemental performance (1) measure and a reconciliation of our property net operating income to our reported “Income (loss) from continuing operations,” see page 36.

Rental Revenues and Leasing Activity

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, other rental revenues and early lease termination fees, increased \$18.3 million for the year ended December 31, 2015 compared to the same period in 2014, primarily due to the following changes: \$8.9 million increase in total revenues in our non-same store portfolio, of which \$38.0 million is attributed to 43 operating property acquisitions and 22 development and redevelopment properties placed into operation since January 1, 2014, offset in part by a \$29.1 million decrease attributed to 67 consolidated property dispositions since January 1, 2014.

\$10.2 million increase in total revenues in our same store portfolio primarily due to the following:

\$9.6 million increase in base rent primarily resulting from increased rental rates, reduction of free rent concessions and a 100 basis point increase in average occupancy period over period;

\$3.2 million increase in operating expense recoveries related to higher average occupancy and higher recovery of tenant improvement reimbursements; and

\$1.6 million increase in other income from tenants due to move-out repairs, lease termination income and other rents; which was partially offset by

\$3.8 million decrease in straight-line rental revenue; and

\$0.4 million decrease in below market rent adjustments.

\$0.8 million decrease primarily attributable to one property under redevelopment that was in our operating pool prior to January 1, 2015.

The following table presents the components of our consolidated rental revenues (in thousands):

	For the Year Ended December 31,			
	2015	2014	\$ Change	Percent Change
Base rent	\$255,631	\$241,040	\$14,591	6.1 %
Straight-line rent	7,072	9,880	(2,808)	(28.4)%
Amortization of above and below market rent intangibles	2,983	2,350	633	26.9 %
Tenant recovery income	82,311	76,477	5,834	7.6 %
Other	2,592	2,948	(356)	(12.1)%
Revenues related to early lease terminations	2,502	2,092	410	19.6 %
Total rental revenues	\$353,091	\$334,787	\$18,304	5.5 %

The following table provides a summary of our leasing activity for the year ended December 31, 2015:

YEAR TO DATE 2015	Number of Leases Signed	Square Feet Signed ⁽¹⁾	Net Effective Rent Per Square Foot ⁽²⁾	Straight-Line Basis Rent Growth ⁽³⁾	Weighted Average Lease Term ⁽⁴⁾	Turnover Costs Per Square Foot ⁽⁵⁾
		(in thousands)			(in months)	
New	112	4,270	N/A	13.5 %	70	\$ 4.39
Renewal	126	8,045	N/A	21.8 %	47	1.45
Development and redevelopment	39	7,044	N/A	N/A	107	N/A
Total/Weighted Average	277	19,359	\$ 5.12	19.5 %	74	\$ 2.47
Weighted Average Retention ⁽⁶⁾	70.5 %					

(1) Excludes month-to-month leases and other short-term leases.

(2) Net effective rent is the average monthly base rental income over the term of the lease, calculated in accordance with GAAP.

(3) Straight-line basis rent growth is the percentage change in monthly net effective rent of the comparable lease. New leases where there were no prior comparable leases or materially different lease structures are excluded.

(4) Assumes no exercise of lease renewal options, if any.

Turnover costs are comprised of the costs incurred or capitalized for improvements of vacant and renewal spaces, as well as the commissions paid and costs capitalized for leasing transactions. Turnover costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and do not reflect actual expenditures for the period.

(5) (6) Represents the percentage of customers renewing their respective leases weighted by average square feet.

During the year ended December 31, 2015, we signed a total of 277 leases comprising 19.4 million square feet of which 126 leases totaling 11.6 million square feet included concessions of \$17.6 million primarily related to free rent periods.

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes, which are comprised of insurance, common area maintenance, utilities, property management fees and other rental expenses, and real estate taxes, decreased by \$2.1 million for the year ended December 31, 2015 compared to the same period in 2014, primarily due to the following:

\$0.6 million decrease in rental expenses and real estate taxes period over period in our same store portfolio, which was primarily due to a \$2.1 million decrease in repairs and maintenance, insurance, and bad debt and other non-recoverable expenses, offset in part by a \$1.5 million increase in real estate taxes; and

\$10.2 million decrease primarily related to dispositions in the Atlanta, Chicago, Cincinnati, Columbus, Houston, Indianapolis, Memphis and New Jersey markets; offset in part by

\$8.7 million increase in rental expenses and real estate taxes related to our non-same store properties primarily due to an increase in property taxes and property management fees in our Atlanta, Chicago, Denver, Houston, Northern California, Phoenix, Seattle and Southern California markets.

The following table presents the various components of our rental expenses and real estate taxes (in thousands):

	For the Year Ended December 31,			
	2015	2014	\$ Change	Percent Change
Real estate taxes	\$56,219	\$53,790	\$2,429	4.5 %
Insurance	4,898	5,574	(676)	(12.1)%
Common area maintenance	15,609	17,617	(2,008)	(11.4)%
Utilities	4,629	4,788	(159)	(3.3)%
Property management fees	9,623	9,653	(30)	(0.3)%
Other	1,236	2,888	(1,652)	(57.2)%
Total rental expenses and real estate taxes	\$92,214	\$94,310	\$(2,096)	(2.2)%

Other Revenue and Other Income

Total other revenue and other income increased \$37.0 million for the year ended December 31, 2015 compared to the same period in 2014, primarily due the following:

\$38.2 million increase in gain on dispositions of real estate interests primarily related to gains of \$77.9 million recognized on the disposition of 28 properties in the Atlanta, Houston, Indianapolis, Louisville, New Jersey and Pennsylvania markets during 2015, which was partially offset by a \$0.9 million gain on the sale of our interest in the TRT-DCT Venture I and gains of \$38.8 million from the sale of 32 properties during 2014;

\$0.8 million increase in equity in earnings of unconsolidated joint ventures, net primarily related to \$3.7 million of gain recognized on the sale of one property in the IDI/DCT, LLC joint venture during 2015, which was partially offset by lower equity in earnings due to the disposition of all of the properties in the TRT-DCT Venture I, our disposition of our unconsolidated interest in TRT-DCT Venture II and the disposition of one property in the IDI/DCT, LLC Venture during 2014; and

\$0.6 million increase in development profit, net of taxes, related to \$2.6 million recognized from the completion and sale of three development projects totaling 156,000 square feet during 2015, which was offset by \$2.0 million recognized from the sale and completion of two development projects totaling 229,000 square feet during 2014; which was partially offset by

\$1.6 million decrease in interest and other income (expense) primarily related to a settlement on roof damages on several properties located in our Houston market during 2014; and

\$1.0 million decrease in gain on business combination related to obtaining control through the purchase of our partner's 50.0% interest in one property from the IDI/DCT, LLC joint venture during 2014.

Other Expenses

Other expenses increased \$0.9 million for the year ended December 31, 2015 compared to the same period in 2014, primarily due to the following:

\$7.0 million increase in depreciation and amortization expense resulting from a \$20.9 million increase related to real estate acquisitions, developments placed in service and capital additions; partially offset by \$11.5 million related to real estate dispositions and \$2.4 million related to same store tenant improvements that were fully amortized during 2015;

- \$5.5 million increase in general and administrative expense due to the following:

- \$3.6 million in severance costs;

- \$2.9 million in increased personnel costs; and

- \$2.6 million increase resulting from criminal fraud and the investigation, see discussion under “Significant Transactions and Activities – Other Events”; which was offset in part by

- \$2.4 million increase in capitalized overhead as a result of increased development, leasing and other capital projects;

- \$1.1 million decrease in pre-acquisition costs due to 17 acquisitions during 2015 compared to 36 acquisitions during 2014; and

- \$0.1 million decrease in professional service costs.

- \$1.0 million increase in income tax expense as a result of increased income from properties within our TRS during 2015; which was partially offset by

- \$9.2 million decrease in interest expense as a result of a \$6.8 million increase in capitalized interest in 2015 related to increased development activities, the repayment of a \$43.3 million mortgage note in November 2014, the repayment of a \$40.0 million 5 year private placement note in June 2015, the repayment of a \$50.9 million mortgage note in October 2015 and an overall lower weighted average effective interest rate; and

- \$3.3 million decrease in impairment due to \$5.6 million recognized on five properties sold or held for sale during 2014 compared to \$2.3 million recognized on two properties sold during 2015.

Income from Discontinued Operations

Income from discontinued operations decreased by \$5.7 million for the year ended December 31, 2015 compared to the same period in 2014. This decrease is primarily related to the classification of fewer assets as discontinued operations for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Segment Summary for the years ended December 31, 2016, 2015 and 2014

The Company’s segments are based on our internal reporting of operating results used to assess performance based on our properties’ geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. These regions are comprised of the markets by which management and their operating teams conduct and monitor business (see further detail on our Segments in “Notes to the Consolidated Financial Statements, Note 14 – Segment Information”). Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance.

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The following table presents the changes in our consolidated properties in continuing operations by segment (dollar amounts and square feet in thousands):

	As of December 31,			For the Year Ended December 31,		
	Number of buildings	Square feet	Occupancy at period end	Segment assets ⁽¹⁾	Rental revenues ⁽²⁾	Property net operating income ⁽³⁾
EAST:						
2016	117	22,022	95.0 %	\$ 1,077,749	\$ 120,437	\$ 93,811
2015	112	20,042	96.7 %	\$ 1,034,869	\$ 106,350	\$ 80,231
2014	125	22,381	92.5 %	\$ 1,010,263	\$ 111,624	\$ 81,955
CENTRAL:						
2016	148	23,084	95.2 %	\$ 1,101,049	\$ 128,964	\$ 90,665
2015	154	24,436	89.7 %	\$ 1,092,315	\$ 130,791	\$ 92,099
2014	159	25,208	92.9 %	\$ 1,067,616	\$ 128,567	\$ 87,281
WEST:						
2016	143	21,122	96.6 %	\$ 1,500,879	\$ 141,959	\$ 110,067
2015	136	19,072	92.6 %	\$ 1,365,471	\$ 115,950	\$ 88,547
2014	122	16,612	91.9 %	\$ 1,245,990	\$ 94,596	\$ 71,241

Segment assets include all assets comprising operating properties included in a segment, less non-segment cash and cash equivalents, other non-segment assets, and assets held for sale that meet the definition of a discontinued operation. The prior year segment assets are not restated for current year discontinued operations.

(2) Segment rental revenues include revenue from operating properties and development properties. Properties classified as discontinued operations are not included in these results.

For the definition of property net operating income, or property NOI, as defined on page 36, and a reconciliation of our property NOI to our reported "Income from continuing operations" see "Notes to Consolidated Financial Statements, Note 14 – Segment Information."

The following table presents our total assets, net of accumulated depreciation and amortization, by segment (in thousands):

	December 31, 2016	December 31, 2015	December 31, 2014
Segments:			
East assets	\$ 1,077,749	\$ 1,034,869	\$ 1,010,263
Central assets	1,101,049	1,092,315	1,067,616
West assets	1,500,879	1,365,471	1,245,990
Total segment net assets	3,679,677	3,492,655	3,323,869
Non-segment assets:			
Non-segment cash and cash equivalents	8,383	15,860	16,653
Other non-segment assets ⁽¹⁾	120,082	123,840	105,199
Total assets	\$ 3,808,142	\$ 3,632,355	\$ 3,445,721

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

East Segment

East Segment assets increased by approximately \$42.9 million in 2016 primarily due to four development properties placed into operation, including one building that was shell-complete upon acquisition, and the acquisition of two land parcels since December 31, 2015.

East Segment assets increased by approximately \$24.6 million in 2015 primarily due to the acquisition of four properties, completion of development or redevelopment on four properties and the acquisition of five land parcels, partially offset by the disposition of 19 properties since December 31, 2014.

East Segment property NOI increased approximately \$13.6 million for the year ended December 31, 2016 compared to the same period in 2015, primarily as a result of:

\$14.1 million increase in NOI, of which a \$14.0 million increase in rental revenues is attributed to the timing of property acquisitions and completion of developments and a \$5.6 million increase is attributed to higher rental rates and operating expense recoveries due to increased occupancy in our same store portfolio, offset in part by a \$5.5 million decrease in rental revenues due to property dispositions.

\$0.5 million decrease in NOI due to increases in operating expenses primarily related to increases in common area maintenance and property management fees, partially offset by a decrease in real estate taxes received during 2016 compared to 2015.

East Segment property NOI decreased approximately \$1.7 million for the year ended December 31, 2015 compared to the same period in 2014, primarily as a result of:

\$5.3 million decrease in NOI, of which a \$13.8 million decrease in rental revenues is attributed to property dispositions, partially offset by a \$5.8 million increase attributed to the timing of property acquisitions and a \$2.7 million increase attributed to higher operating expense recoveries and increased occupancy at properties in our same store portfolio; which was partially offset by

\$3.6 million increase in NOI due to decreases in operating expenses primarily related to lower property taxes and maintenance expense.

Central Segment

Central Segment assets increased by approximately \$8.7 million in 2016 due to the acquisition of four properties and three land parcels, and nine development and redevelopment properties placed into operation; partially offset by the disposition of 14 properties since December 31, 2015.

Central Segment assets increased by approximately \$24.7 million in 2015 due to the acquisition of three properties, completion of development on five properties and the acquisition of five land parcels, partially offset by the disposition of 11 properties since December 31, 2014.

Central Segment property NOI decreased approximately \$1.4 million for the year ended December 31, 2016 compared to the same period in 2015, primarily as a result of:

\$1.8 million decrease in NOI, of which a \$14.8 million decrease in rental revenues is attributed to property dispositions, partially offset by a \$12.3 million increase attributed to the timing of property acquisitions and completion of developments, and a \$0.7 million increase attributed to higher rental rates in our same store portfolio; which was partially offset by

\$0.4 million decrease in rental and property tax expenses primarily due to the following:

\$4.3 million decrease due to property dispositions; which was partially offset by

\$2.9 million increase due to property acquisitions and completion of developments; and

\$1.0 million increase in same store expense primarily due to increased real estate taxes.

• Central Segment property NOI increased approximately \$4.8 million for the year ended December 31, 2015 compared to the same period in 2014, primarily as a result of:

\$2.2 million increase in NOI, of which a \$14.8 million increase in rental revenues is attributed to the timing of property acquisitions and the completion of developments, and a \$3.1 million increase is attributed to higher operating expense recoveries at properties in our same store portfolio, partially offset by a \$15.7 million decrease attributed to property dispositions; and

\$2.6 million increase in NOI due to decreases in operating expenses primarily related to prior year bad debt expenses and snow removal costs incurred from severe winter storms during 2014.

West Segment

West Segment assets increased by approximately \$135.4 million in 2016 due to five development properties placed into operation and the acquisition of four properties and two land parcels; partially offset by the disposition of one property since December 31, 2015.

West Segment assets increased by approximately \$119.5 million in 2015 due to the acquisition of ten properties, completion of development or redevelopment on seven properties and the acquisition of one land parcel, partially offset by the disposition of one property since December 31, 2014.

West Segment property NOI increased approximately \$21.5 million for the year ended December 31, 2016 compared to the same period in 2015, primarily as a result of:

\$26.0 million increase in NOI, of which an \$18.2 million increase in rental revenues is attributed to the timing of property acquisitions and completion of developments, and a \$8.0 million increase is attributed to increased rental rates and occupancy in our same store portfolio, offset in part by a \$0.2 million decrease due to a property disposition; which was partially offset by

\$4.5 million decrease in NOI due to a \$3.5 million increase in operating expenses primarily due to increased property tax expense driven by the cessation of capitalization on developments placed into operation and property acquisitions, and a \$1.1 million increase in same store property taxes and other operating expenses.

West Segment property NOI increased approximately \$17.3 million for the year ended December 31, 2015 compared to the same period in 2014, primarily as a result of:

\$21.4 million increase in NOI, of which a \$16.7 million increase in rental revenues is attributed to the timing of property acquisitions and the completion of developments, and a \$4.7 million increase is attributed to higher operating expense recoveries at properties in our same store portfolio; which was partially offset by

\$4.1 million decrease in NOI due to decreases in operating expenses attributed to increased property taxes from the completion of developments and real estate acquisitions.

Liquidity and Capital Resources

Overview

We currently expect that our principal sources of working capital and funding for potential capital requirements for expansions and renovation of properties, developments, acquisitions, and debt service and distributions to shareholders will include:

• Cash flows from operations;

• Proceeds from dispositions;

• Borrowings under our senior unsecured revolving credit facility;

• Other forms of secured or unsecured financings;

• Offerings of common stock or other securities;

• Current cash balances; and

• Distributions from institutional capital management and other joint ventures.

Cash Flows

See "Notes to the Consolidated Financial Statements, "Note 2 – Summary of Significant Accounting policies" for a discussion of the Company's retroactive early adoption of ASU 2016–18 related to the presentation of restricted cash and cash equivalents in our Consolidated Statements of Cash Flows.

Year ended December 31, 2016 compared to year ended December 31, 2015

"Cash, cash equivalents and restricted cash" were \$18.1 million and \$49.9 million as of December 31, 2016 and December 31, 2015, respectively.

Net cash provided by operating activities increased \$22.0 million to \$221.3 million during the year ended December 31, 2016 compared to \$199.3 million during the same period in 2015. This change was primarily due to an increase in property net operating income attributable to acquired properties, development and redevelopment properties placed into operation and operating performance at existing properties.

Net cash used in investing activities increased \$123.1 million to \$312.9 million during the year ended December 31, 2016 compared to \$189.8 million during the same period in 2015, primarily due to the following activities:

• \$112.0 million decrease in cash inflows from dispositions;

• \$39.0 million increase in cash outflows related to capital expenditures and development activities, as reflected in the table below;

\$16.2 million increase in cash outflows related to investments in unconsolidated joint ventures due to increased contributions to our SCLA unconsolidated joint venture to fund the development of two properties during 2016; \$8.2 million decrease in cash inflows from distributions of investments in unconsolidated joint ventures primarily related to the distribution of proceeds from the sale of one property in the IDI/DCT, LLC joint venture during 2015; \$4.7 million increase in cash outflows related to deferred costs and refundable deposits for acquisitions that have not closed as of December 31, 2016; and \$2.6 million increase in cash outflows primarily related to furniture purchases and improvements at our offices during 2016; partially offset by

\$57.4 million decrease in cash outflows from acquisitions; and

\$1.6 million increase in cash inflows related to proceeds received from casualty gains primarily related to insurance settlements received from casualty events in our Dallas and Northern California markets during 2016 compared to insurance settlements received for damages in our Houston market caused by a series of storms during 2015.

We pursue the acquisition of buildings and land and consider selective development of new buildings in markets where we perceive that demand and market rental rates will provide attractive financial returns. The amount of cash used related to acquisitions and development and redevelopment investments will vary from period to period based on a number of factors, including, among others, current and anticipated future market conditions impacting the desirability of investments, leasing results with respect to our existing development and redevelopment projects and our ability to locate attractive opportunities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Significant Transactions and Activities for the Year Ended December 31, 2016 – Development Activities” for further details regarding projected investment of our current development activities as well as cumulative costs incurred as of December 31, 2016. Our total capital expenditures were comprised of the following (in thousands):

	For the Year Ended December 31,		
	2016	2015	\$ Change
Development	\$190,793	\$203,710	\$(12,917)
Redevelopment	20,687	8,887	11,800
Due diligence	5,304	14,124	(8,820)
Casualty expenditures	1,158	3,428	(2,270)
Building and land improvements	13,117	13,166	(49)
Tenant improvements and leasing costs	38,971	37,396	1,575
Total capital expenditures and development activities	270,030	280,711	(10,681)
Change in accruals and other adjustments	19,456	(30,227)	49,683
Total cash paid for capital expenditures and development activities	\$289,486	\$250,484	\$39,002

We capitalize costs directly related to the development, pre-development, redevelopment or improvement of our investments in real estate. Building and land improvements comprise capital expenditures related to maintaining our consolidated operating activities. Due diligence capital improvements relate to acquired operating properties and are generally incurred within 12 months of the acquisition date.

We capitalize indirect costs such as personnel, office and administrative expenses that are directly related to our development projects, redevelopment projects and successful origination of new leases based on an estimate of the time spent on the development and leasing activities. The total of these capitalized costs was comprised of the following (in thousands):

	For the Year Ended December 31,		
	2016	2015	\$ Change
Development activities	\$4,982	\$4,277	\$ 705
Leasing activities	3,260	3,524	(264)
Operating building activities	2,977	3,110	(133)
Total capitalized indirect costs	\$11,219	\$10,911	\$ 308

In addition, we capitalize interest costs incurred associated with development and construction activities. During the years ended December 31, 2016 and 2015 total interest capitalized was \$9.9 million and \$15.8 million, respectively.

Net cash provided by financing activities increased \$43.0 million to \$59.8 million during the year ended December 31, 2016 compared to \$16.8 million during the same period in 2015, primarily due to the following activities:

- \$107.1 million net increase in cash inflows primarily due to 2.5 million shares of common stock issued during 2016 under our continuous equity offering program; and

- \$51.8 million decrease in cash outflows on mortgage notes as principal payments of \$58.6 million in 2015 exceeded principal payments of \$6.7 million in 2016; partially offset by

- \$84.0 million decrease in proceeds from senior unsecured notes due to the following:

- \$50.0 million decrease due to the repayment of our senior unsecured fixed rate note in February 2016;

- \$49.0 million decrease due to the repayment of our senior unsecured fixed rate note in August 2016; and

- \$75.0 million decrease due to the early partial paydown of our \$100.0 million term loan in 2016; which was partially offset by

- \$50.0 million net increase in cash inflows resulting from the issuance of our \$250.0 million fixed rate senior unsecured notes in August 2016 compared to the issuance of our \$200.0 million variable rate senior unsecured term loan in December 2015; and

- \$40.0 million repayment of our senior unsecured note in June 2015.

- \$28.0 million decrease in proceeds from our senior unsecured revolving credit facility, as net borrowings of \$33.0 million during 2015 exceeded our \$5.0 million of net borrowings during 2016; and

- \$2.9 million increase in cash outflows attributable to operating partnership unit redemptions, distributions to noncontrolling interest holders, increases in the dividend rate per share declared in October 2015 and November 2016 and additional shares of common stock issued under our continuous equity offering program resulting in an increase in our dividends and distributions paid to common stockholders and unitholders.

Year ended December 31, 2015 compared to year ended December 31, 2014

“Cash, cash equivalents and restricted cash” were \$49.9 million and \$23.6 million as of December 31, 2015 and December 31, 2014, respectively.

Net cash provided by operating activities increased \$29.3 million to \$199.3 million during the year ended December 31, 2015 compared to \$170.0 million during the same period in 2014. This change was primarily due to an increase in property net operating income attributable to acquired properties and operating performance at existing properties.

Net cash used in investing activities decreased \$78.7 million to \$189.8 million during the year ended December 31, 2015 compared to \$268.5 million during the same period in 2014, primarily due to the following activities:

- \$176.5 million decrease in cash outflows from acquisitions; partially offset by

- \$47.9 million increase in cash outflows related to capital expenditures and development activities, as reflected in the table below;

- \$40.6 million decrease in cash inflows from dispositions; and

- \$11.4 million decrease in cash inflows from distributions of investments in unconsolidated joint ventures primarily related to the sale of all properties in the TRT-DCT Venture II and one property in the IDI/DCT, LLC Venture during 2014.

Our total capital expenditures were comprised of the following (in thousands):

	For the Year Ended December		
	2015	2014	\$ Change
Development	\$203,710	\$155,306	\$48,404
Redevelopment	8,887	5,380	3,507
Due diligence	14,124	7,951	6,173
Casualty expenditures	3,428	837	2,591
Building and land improvements	13,166	13,076	90
Tenant improvements and leasing costs	37,396	40,576	(3,180)
Total capital expenditures and development activities	280,711	223,126	57,585
Change in accruals and other adjustments	(30,227)	(20,531)	(9,696)
Total cash paid for capital expenditures and development activities	\$250,484	\$202,595	\$47,889

The total of our capitalized indirect costs was comprised of the following (in thousands):

	For the Year Ended		
	December 31,		
	2015	2014	\$ Change
Development activities	\$4,277	\$2,983	\$1,294
Leasing activities	3,524	3,046	478
Operating building activities	3,110	2,582	528
Total capitalized indirect costs	\$10,911	\$8,611	\$2,300

During the years ended December 31, 2015 and 2014 total capitalized interest associated with development and construction activities was \$15.8 million and \$9.1 million, respectively.

Net cash provided by financing activities decreased \$60.2 million to \$16.8 million during the year ended December 31, 2015 compared to \$77.0 million during the same period in 2014, primarily due to the following activities:

- \$238.6 million decrease in net proceeds from the issuance of common stock primarily due to 7.5 million shares of common stock issued during 2014 under our continuous equity offering program and a public offering with no corresponding activity during 2015;

- \$13.7 million increase in cash outflows due to 7.5 million additional shares issued in 2014 under our continuous equity offering program and a public offering in November, operating partnership unit redemptions, distributions to noncontrolling interest holders and an increase in the dividend rate per share declared in October 2015 resulting in an increase in our dividends and distributions paid to common stockholders and unitholders; and

- \$4.5 million decrease primarily due to increased cash outflow for loan costs related to our amended and restated bank unsecured credit facilities and \$200.0 million term loan during 2015; which was partially offset by

- \$160.0 million increase in proceeds from senior unsecured notes due to the following:

- \$200.0 million increase in cash inflows resulting from the issuance of our variable rate senior unsecured term loan in December 2015; which was partially offset by

- \$40.0 million decrease due to the repayment of our senior unsecured note in June 2015.

- \$35.0 million increase in proceeds from our senior unsecured revolving credit facility as net borrowings of \$33.0 million during 2015 exceeded our \$2.0 million of net repayments during 2014; and

- \$1.1 million decrease in cash outflows on mortgage notes as principal payments of \$59.6 million in 2014 exceeded principal payments of \$58.6 million in 2015.

Common Stock

As of December 31, 2016 approximately 91.5 million shares of common stock were issued and outstanding.

On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013. During the year ended December 31, 2016, we issued approximately 2.5 million shares of common stock through the continuous equity offering program, at a weighted average price of \$43.98 per share for proceeds of approximately \$107.0 million, net of offering expenses. The proceeds from the sale of shares of common stock were contributed to the Operating Partnership for an equal number of OP units in the Operating Partnership and were used for general corporate purposes, including funding developments and redevelopments and repaying debt. As of December 31, 2016, approximately 2.5 million shares of common stock remain available to be issued under the current offering.

OP Units

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 Amended and Restated Limited Partnership Agreement of the Operating Partnership (“Partnership Agreement”). DCT 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 year ended December 31, 2016 approximately 0.7 million OP Units were redeemed for approximately \$5.2 million in cash and approximately 0.6 million shares of DCT common stock. The OP Unit redemptions exclude LTIP Unit redemptions, see "LTIP Units" in "Notes to the Consolidated Financial Statements, Note 11 – Equity Based Compensation" for a summary of LTIP Unit redemptions.

As of December 31, 2016, approximately 3.5 million OP Units were issued, outstanding and held by entities other than DCT including approximately 0.7 million vested LTIP Units issued under our Long-Term Incentive Plan.

As of December 31, 2016, the aggregate redemption value of the then-outstanding OP Units held by entities other than DCT was approximately \$168.9 million based on the \$47.88 per share closing price of DCT’s common stock on December 31, 2016.

Dividend Reinvestment and Stock Purchase Plan

We offer shares of our common stock through our Dividend Reinvestment and Stock Purchase Plan (the “Plan”). The Plan permits stockholders to acquire additional shares with quarterly dividends and to make additional cash investments to buy shares directly through our third party transfer agent. Shares of common stock may be purchased in the open market or through privately negotiated transactions.

Distributions

During the years ended December 31, 2016 and 2015, our board of directors declared distributions to stockholders and unitholders totaling approximately \$111.7 million and \$105.0 million, respectively. Existing cash balances, cash provided from operations, borrowings under our senior unsecured revolving credit facility, equity offering proceeds and dispositions were used to pay distributions during 2016 and 2015.

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. During February 2017, our board of directors declared a quarterly cash dividend of \$0.31 per share, payable on April 12, 2017 to stockholders of record as of March 2017.

Outstanding Indebtedness

As of December 31, 2016, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.2 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2015, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.7 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures.

As of December 31, 2016, the gross book value of our consolidated properties was approximately \$4.4 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. As of December 31, 2015, the total gross book value of our consolidated properties was approximately \$4.1 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. Our debt has various covenants with which we were in compliance as of December 31, 2016 and 2015.

Our debt instruments require monthly, quarterly or semiannual payments of interest and mortgages generally require monthly or quarterly repayments of principal. Currently, cash flows from our operations are sufficient to satisfy these debt service requirements and we anticipate that cash flows from operations will continue to be sufficient to satisfy our debt service excluding principal maturities, which we plan to fund from refinancing and/or new debt.

All of our senior unsecured notes contain certain cross-default provisions which may be triggered in the event that any material indebtedness is in default. These cross-default provisions may require us to repay such senior unsecured debt. We are not in default and do not have any unsecured debt maturities through April 2017.

We have certain non-recourse, secured loans which are cross-collateralized by multiple properties. In the event of a default, 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. We generally have broad substitution rights that afford DCT the opportunity to replace encumbered properties with replacement properties. We are not in default and do not have any cross-collateralized debt maturing through February 2019.

In the event of default or foreclosure, 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.

Financing Strategy

We do not have a formal policy limiting the amount of debt we incur, although we currently intend to operate so that our financial metrics are generally consistent with investment grade peers in the real estate industry. We continually evaluate our secured and unsecured leverage and among other relevant metrics, our fixed charge coverage ratio. Our charter and our bylaws do not limit the indebtedness that we may incur. We are, however, subject to certain covenants which may limit our outstanding indebtedness.

Debt Issuance and Payoffs

During August 2016, we issued \$250.0 million of fixed rate senior unsecured notes in a private placement offering. The notes have an average term of 10 years, a weighted average interest rate of 3.90% and require semi-annual interest payments. We primarily used the proceeds to paydown our senior unsecured revolving credit facility, payoff a \$49.0 million senior unsecured note at maturity and for the early payoff of a \$75.0 million portion of our \$100.0 million senior unsecured term loan maturing in April 2017.

Line of Credit

As of December 31, 2016, we had \$75.0 million outstanding and \$323.1 million available under our \$400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling \$1.9 million. As of December 31, 2015, we had \$70.0 million outstanding and \$326.5 million available under our senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million.

The senior unsecured revolving credit facility agreement contains various covenants with which we were in compliance as of December 31, 2016 and December 31, 2015.

Debt Maturities

The following table presents the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, discounts and deferred loan costs, as of December 31, 2016 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Bank Unsecured Credit Facilities	Total
2017	\$51,000	\$ 41,079	\$ 25,000	(1) \$ 117,079
2018	81,500	6,747	—	88,247
2019	46,000	51,344	75,000	172,344
2020	50,000	71,933	125,000	(1) 246,933
2021	92,500	18,436	—	110,936
Thereafter	690,000	10,671	200,000	(1) 900,671
Total	\$ 1,011,000	\$ 200,210	\$ 425,000	\$ 1,636,210

(1) The term loan facilities are presented in “Senior unsecured notes” in our Consolidated Balance Sheets.

Contractual Obligations

The following table presents our contractual obligations as of December 31, 2016, specifically our obligations under long-term debt agreements, operating lease agreements and ground lease agreements (in thousands):

Contractual Obligations ⁽¹⁾	Payments due by Period				
	Total	2017	2018 - 2019	2020 - 2021	Thereafter
Scheduled long-term debt maturities, including interest ⁽²⁾	\$ 1,996,009	\$ 185,177	\$ 379,440	\$ 445,351	\$ 986,041
Operating lease commitments	6,290	731	2,170	1,791	1,598
Ground lease commitments ⁽³⁾	11,369	565	1,122	1,102	8,580
Total	\$ 2,013,668	\$ 186,473	\$ 382,732	\$ 448,244	\$ 996,219

From time-to-time in the normal course of our business, we enter into various contracts with third parties that may obligate us to make payments, such as maintenance agreements at our properties. Such contracts, in the aggregate,

(1) do not represent material obligations, are typically short-term and cancellable within 90 days and are not included in the table above. Also, excluded from the total are our estimated construction costs to complete development and redevelopment projects of approximately \$160.2 million.

(2) Variable interest rate payments are estimated based on the LIBOR rate at December 31, 2016.

(3) Three of our buildings comprising 0.7 million square feet reside on 38 acres of land which is leased from an airport authority.

Off-Balance Sheet Arrangements

As of December 31, 2016 and 2015, we had no off-balance sheet arrangements, other than those disclosed under contractual obligations, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, other than items discussed herein.

As of December 31, 2016, our proportionate share of the total construction loans of our unconsolidated development joint ventures was \$35.2 million, which is scheduled to mature during 2017. Our proportionate share of the total construction loans, including undrawn amounts, of our unconsolidated development joint ventures includes 50.0% of the construction loans associated with the SCLA joint venture which are non-recourse to the venture partners.

Indebtedness and Other Off-Balance Sheet Arrangements

There are no lines of credit or side agreements related to, or between, our unconsolidated joint ventures and us, and there are no other derivative financial instruments between our unconsolidated joint ventures and us. In addition, we do not believe we have any material exposure to financial guarantees, except as discussed above.

We may elect to fund additional capital to a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such funding is not required contractually or otherwise. As of December 31, 2016, our proportionate share of non-recourse debt associated with unconsolidated joint ventures is \$35.2 million. The maturities of our proportionate share of the non-recourse debt are summarized in the table below (in thousands):

Year	DCT's Proportionate Share of Secured Non-Recourse Debt in Unconsolidated Joint Ventures
2017	\$ 35,168
2018	—
2019	—
2020	—
2021	—
Thereafter	—
Total	\$ 35,168

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to losses resulting from changes in market prices such as interest rates, foreign currency exchange rates and rental rates. Our future earnings and cash flows are dependent upon prevailing market rates.

Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and OP unitholders and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates.

Interest Rate Risk

Our exposure to market risk includes interest rate fluctuations in connection with our senior unsecured revolving credit facility and other variable rate borrowings and forecasted fixed rate debt issuances, including refinancing of existing fixed rate debt. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. To manage interest rate risk for variable rate debt and issuances of fixed rate debt, in the past we have primarily used treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rates swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of December 31, 2016 and 2015, we had borrowings payable subject to these pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately \$6.6 million and \$6.8 million, respectively.

During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates on our \$200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. The interest rate swap effectively fixes the interest rate on the related debt instrument at 3.31%, however, there is no floor on the variable interest rate of the swap whereas the current variable rate debt is subject to a 0.0% floor. While LIBOR rates in certain foreign countries have been or are currently negative, USD LIBOR rates in the U.S. have never been negative nor do we expect them to become negative in the future. In the event that USD LIBOR is negative, the Company will make payments to the hedge counterparty equal to the negative spread between

USD LIBOR and zero. During the years ended December 31, 2016 and 2015, we recorded non-cash charges of approximately \$(0.4) million and \$0.0 million, respectively, of hedge ineffectiveness in earnings attributable to a 0.0% floor mismatch in the hedging relationships (i.e., there is no floor on the variable interest rate of the swap whereas the current variable rate debt from which the hedged forecasted transactions are expected to flow is subject to a 0.0% floor on the USD LIBOR component of the interest rate). See “Notes to a Consolidated Financial Statements, Note 5 – Financial Instruments and Hedging Activities” for additional information.

Our variable rate debt is subject to risk based upon prevailing market interest rates. As of December 31, 2016, we had approximately \$225.0 million of variable rate debt outstanding indexed to LIBOR rates. If the LIBOR rates relevant to our variable rate debt were to increase 10%, we estimate that our interest expense during the year ended December 31, 2016 would have increased approximately \$0.2 million based on our outstanding floating-rate debt as of December 31, 2016. Additionally, if weighted average interest rates on our fixed rate debt were to have increased by 100 basis points due to refinancing, interest expense would have increased by approximately \$13.3 million during the year ended December 31, 2016.

As of December 31, 2016, the estimated fair value of our debt was approximately \$1.7 billion based on our estimate of the then-current market interest rates.

ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

See “Index to Financial Statements” on page 67 of this annual report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

DCT Industrial Trust Inc.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures; as such term is defined under Rule 13a-15(e) under the Exchange Act, as of December 31, 2016, the end of the period covered by this annual report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2016 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Management’s Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). In addition, management is required to report their assessment, including their evaluation criteria, on the design and operating effectiveness of our internal control over financial reporting in this Form 10-K.

Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer. During 2016, management conducted an assessment of the internal control over financial reporting based upon criteria established in the “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management’s assessment, which included a comprehensive review of the design and operating effectiveness of our internal control over financial reporting, management has concluded that our internal control over financial reporting is effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm. Their report appears below.

Changes in Internal Control over Financial Reporting

There has been no change in DCT Industrial Inc.’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2016 that has materially affected, or is reasonably likely to materially affect, DCT Industrial Inc.’s internal control over financial reporting.

DCT Industrial Operating Partnership LP

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer of its general partner, the Operating Partnership conducted an evaluation of the effectiveness of its disclosure controls and procedures; as such term is defined under Rule 13a-15(e) under the Exchange Act, as of December 31, 2016, the end of the period covered by this annual report. Based on this evaluation, the principal executive officer and principal financial officer concluded that the Operating Partnership's disclosure controls and procedures were effective as of December 31, 2016 in providing reasonable assurance that information required to be disclosed by the Operating Partnership in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). In addition, management is required to report their assessment, including their evaluation criteria, on the design and operating effectiveness of our internal control over financial reporting in this Form 10-K.

Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer. During 2016, management conducted an assessment of the internal control over financial reporting based upon criteria established in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management's assessment, which included a comprehensive review of the design and operating effectiveness of our internal control over financial reporting, management has concluded that our internal control over financial reporting is effective as of December 31, 2016.

Changes in Internal Control over Financial Reporting

There has been no change in the Operating Partnership's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Shareholders of
DCT Industrial Trust Inc. and subsidiaries:

We have audited DCT Industrial Trust, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). DCT Industrial Trust, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, DCT Industrial Trust, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DCT Industrial Trust, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016 of DCT Industrial Trust, Inc. and subsidiaries and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 17, 2017

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES AND DIRECTOR INDEPENDENCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2017 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules.

1. Financial Statements.

The Consolidated Financial Statements listed in the accompanying Index to Financial Statements on page 67 are filed as a part of this report.

2. Financial Statement Schedules.

The financial statement schedule required by this Item is filed with this report and is listed in the accompanying Index to Financial Statements on page 67. All other financial statement schedules are not applicable.

B. Exhibits.

The Exhibits required by Item 601 of Regulation S-K are listed in the Index to Exhibits on page F-59 to F-60 of this report, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DCT INDUSTRIAL TRUST INC.

By: /s/ Philip L. Hawkins
Philip L. Hawkins,
President and Chief Executive Officer

Date: February 17, 2017

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
DCT INDUSTRIAL TRUST INC.		
/S/ PHILIP L. HAWKINS Philip L. Hawkins	President, Chief Executive Officer and Director (Principal Executive Officer)	February 17, 2017
/S/ MATTHEW T. MURPHY Matthew T. Murphy	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 17, 2017
/S/ MARK E. SKOMAL Mark E. Skomal	Chief Accounting Officer (Principal Accounting Officer)	February 17, 2017
/S/ MARILYN A. ALEXANDER Marilyn A. Alexander	Director	February 17, 2017
/S/ THOMAS F. AUGUST Thomas F. August	Director	February 17, 2017
/S/ JOHN S. GATES, JR. John S. Gates, Jr.	Director	February 17, 2017
/S/ RAYMOND B. GREER Raymond B. Greer	Director	February 17, 2017
/S/ TRIPP H. HARDIN Tripp H. Hardin	Director	February 17, 2017
/S/ TOBIAS HARTMANN Tobias Hartmann	Director	February 17, 2017
/S/ JOHN C. O'KEEFFE John C. O'Keeffe	Director	February 17, 2017
/S/ BRUCE L. WARWICK Bruce L. Warwick	Director	February 17, 2017

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DCT INDUSTRIAL OPERATING
PARTNERSHIP LP

By: /s/ Philip L. Hawkins
Philip L. Hawkins,
President and Chief Executive Officer

Date: February 17, 2017

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
DCT INDUSTRIAL OPERATING PARTNERSHIP LP		
/S/ PHILIP L. HAWKINS Philip L. Hawkins	President, Chief Executive Officer and Director (Principal Executive Officer) of DCT Industrial Trust Inc., the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ MATTHEW T. MURPHY Matthew T. Murphy	Chief Financial Officer and Treasurer (Principal Financial Officer) of DCT Industrial Trust Inc., the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ MARK E. SKOMAL Mark E. Skomal	Chief Accounting Officer (Principal Accounting Officer) of DCT Industrial Trust Inc., the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ MARILYN A. ALEXANDER Marilyn A. Alexander	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ THOMAS F. AUGUST Thomas F. August	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ JOHN S. GATES, JR. John S. Gates, Jr.	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ RAYMOND B. GREER Raymond B. Greer	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ TRIPP H. HARDIN Tripp H. Hardin	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ TOBIAS HARTMANN Tobias Hartmann	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017
/S/ JOHN C. O'KEEFFE John C. O'Keefe	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 17, 2017

John C. O'Keeffe

/S/ BRUCE L. WARWICK

Bruce L. Warwick

Director, of DCT Industrial Trust Inc. the sole general partner of DCT
Industrial Operating Partnership LP

February 17,
2017

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
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DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP <u>Reports of Independent Registered Public Accounting Firm</u>	<u>F-1</u>
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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders of
DCT Industrial Trust Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DCT Industrial Trust, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for reporting (i) restricted cash and restricted cash equivalents in the consolidated statement of cash flows in 2016 retroactive to January 1, 2014; and (ii) discontinued operations effective January 1, 2014.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado
February 17, 2017

Report of Independent Registered Public Accounting Firm

The Partners of

DCT Industrial Operating Partnership LP and subsidiaries:

We have audited the accompanying consolidated balance sheets of DCT Industrial Operating Partnership LP and subsidiaries (the "Partnership") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in capital, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements. These financial statements and schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DCT Industrial Operating Partnership LP and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Partnership changed its method for reporting (i) restricted cash and restricted cash equivalents in the consolidated statement of cash flows in 2016 retroactive to January 1, 2014; and (ii) discontinued operations effective January 1, 2014.

/s/ Ernst & Young LLP

Denver, Colorado

February 17, 2017

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share information)

	December 31, 2016	December 31, 2015
ASSETS		
Land	\$ 1,075,995	\$ 1,009,905
Buildings and improvements	3,202,293	2,886,859
Intangible lease assets	78,356	84,420
Construction in progress	72,829	159,397
Total investment in properties	4,429,473	4,140,581
Less accumulated depreciation and amortization	(839,773)	(742,980)
Net investment in properties	3,589,700	3,397,601
Investments in and advances to unconsolidated joint ventures	95,606	82,635
Net investment in real estate	3,685,306	3,480,236
Cash and cash equivalents	10,286	18,412
Restricted cash	7,346	31,187
Straight-line rent and other receivables, net of allowance for doubtful accounts of \$379 and \$335, respectively	79,889	60,357
Other assets, net	25,315	15,964
Assets held for sale	—	26,199
Total assets	\$ 3,808,142	\$ 3,632,355
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 93,097	\$ 108,788
Distributions payable	29,622	26,938
Tenant prepaids and security deposits	32,884	29,663
Other liabilities	37,403	18,398
Intangible lease liabilities, net	21,421	22,070
Line of credit	75,000	70,000
Senior unsecured notes	1,351,969	1,276,097
Mortgage notes	201,959	210,375
Liabilities related to assets held for sale	—	869
Total liabilities	1,843,355	1,763,198
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Shares-in-trust, \$0.01 par value, 100,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized 91,516,113 and 88,313,891 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	915	883
Additional paid-in capital	2,884,806	2,766,193
Distributions in excess of earnings	(1,005,728)	(992,010)
Accumulated other comprehensive loss	(17,944)	(23,082)
Total stockholders' equity	1,862,049	1,751,984
Noncontrolling interests	102,738	117,173
Total equity	1,964,787	1,869,157

Total liabilities and equity	\$ 3,808,142	\$ 3,632,355
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The accompanying notes are an integral part of these Consolidated Financial Statements.

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
REVENUES:			
Rental revenues	\$391,360	\$353,091	\$334,787
Institutional capital management and other fees	1,416	1,606	1,739
Total revenues	392,776	354,697	336,526
OPERATING EXPENSES:			
Rental expenses	36,797	35,995	40,520
Real estate taxes	60,020	56,219	53,790
Real estate related depreciation and amortization	161,334	156,010	148,992
General and administrative	29,280	34,577	29,079
Impairment losses	—	2,285	5,635
Casualty and involuntary conversion gain	(2,753)	(414)	(328)
Total operating expenses	284,678	284,672	277,688
Operating income	108,098	70,025	58,838
OTHER INCOME (EXPENSE):			
Development profit, net of taxes	—	2,627	2,016
Equity in earnings of unconsolidated joint ventures, net	4,118	7,273	6,462
Gain on business combination	—	—	1,000
Gain on dispositions of real estate interests	49,895	77,871	39,671
Interest expense	(64,035)	(54,055)	(63,236)
Interest and other income (expense)	551	(40)	1,563
Income tax benefit (expense) and other taxes	(591)	(736)	217
Income from continuing operations	98,036	102,965	46,531
Income from discontinued operations	—	—	5,717
Consolidated net income of DCT Industrial Trust Inc.	98,036	102,965	52,248
Net income attributable to noncontrolling interests	(4,976)	(8,917)	(3,084)
Net income attributable to common stockholders	93,060	94,048	49,164
Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)
Adjusted net income attributable to common stockholders	\$92,391	\$93,370	\$48,487
NET EARNINGS PER COMMON SHARE – BASIC:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to common stockholders	\$1.03	\$1.06	\$0.58
NET EARNINGS PER COMMON SHARE – DILUTED:			
Income from continuing operations	\$1.03	\$1.05	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to common stockholders	\$1.03	\$1.05	\$0.58
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	89,867	88,182	83,280
Diluted	89,982	88,514	83,572

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Consolidated net income of DCT Industrial Trust Inc.	\$98,036	\$102,965	\$52,248
Other comprehensive income:			
Net derivative loss on cash flow hedging instruments	(1,068)	(463)	(1,159)
Net reclassification adjustment on cash flow hedging instruments	6,611	4,785	4,670
Other comprehensive income	5,543	4,322	3,511
Comprehensive income	103,579	107,287	55,759
Comprehensive income attributable to noncontrolling interests	(5,381)	(9,131)	(3,383)
Comprehensive income attributable to common stockholders	\$98,198	\$98,156	\$52,376

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(in thousands)

	Total Equity	Common Stock			Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests
		Shares	Amount	Additional Paid-in Capital			
Balance at December 31, 2013	\$ 1,667,192	80,067	\$ 801	\$ 2,514,426	\$(941,019)	\$(30,402)	\$ 123,386
Net income	52,248	—	—	—	49,164	—	3,084
Other comprehensive income	3,511	—	—	—	—	3,212	299
Issuance of common stock, net of offering costs	239,007	7,516	75	238,932	—	—	—
Issuance of common stock, stock-based compensation plans	(1,287)	109	1	(1,288)	—	—	—
Common stock retired in connection with reverse stock-split	(26)	(1)	—	(26)	—	—	—
Amortization of stock-based compensation	5,975	—	—	2,093	—	—	3,882
Distributions to common stockholders and noncontrolling interests	(100,408)	—	—	—	(94,434)	—	(5,974)
Capital contribution from noncontrolling interests	201	—	—	—	—	—	201
Redemptions of noncontrolling interests	(997)	322	3	8,294	—	—	(9,294)
Balance at December 31, 2014	\$ 1,865,416	88,013	\$ 880	\$ 2,762,431	\$(986,289)	\$(27,190)	\$ 115,584
Net income	102,965	—	—	—	94,048	—	8,917
Other comprehensive income	4,322	—	—	—	—	4,108	214
Issuance of common stock, stock-based compensation plans	(890)	89	1	(891)	—	—	—
Amortization of stock-based compensation	10,577	—	—	1,794	—	—	8,783
Distributions to common stockholders and noncontrolling interests	(109,460)	—	—	—	(99,769)	—	(9,691)
Capital contribution from noncontrolling interests	648	—	—	—	—	—	648
Redemptions of noncontrolling interests	(4,421)	212	2	2,859	—	—	(7,282)
Balance at December 31, 2015	\$ 1,869,157	88,314	\$ 883	\$ 2,766,193	\$(992,010)	\$(23,082)	\$ 117,173
Net income	98,036	—	—	—	93,060	—	4,976
Other comprehensive income	5,543	—	—	—	—	5,138	405
	106,960	2,469	24	106,936	—	—	—

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Issuance of common stock, net of offering costs							
Issuance of common stock, stock-based compensation plans	(759) 66	1	(760) —	—	—
Amortization of stock-based compensation	7,142	—	—	1,918	—	—	5,224
Distributions to common stockholders and noncontrolling interests	(112,786	) —	—	—	(106,778	) —	(6,008
Capital contributions from noncontrolling interests	444	—	—	—	—	—	444
Purchase of noncontrolling interest	(3,258	) —	—	(3,258) —	—	—
Redemptions of noncontrolling interests	(5,692	) 667	7	13,777	—	—	(19,476
Balance at December 31, 2016	\$ 1,964,787	91,516	\$ 915	\$ 2,884,806	\$(1,005,728)	\$ (17,944	) \$ 102,738

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES:			
Consolidated net income of DCT Industrial Trust Inc.	\$98,036	\$102,965	\$52,248
Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to net cash provided by operating activities:			
Real estate related depreciation and amortization	161,334	156,010	148,992
Gain on acquisitions and dispositions of real estate interests	(49,895)	(77,871)	(46,199)
Distributions of earnings from unconsolidated joint ventures	6,056	5,590	4,655
Equity in earnings of unconsolidated joint ventures, net	(4,118)	(7,273)	(6,462)
Impairment losses	—	2,285	5,767
Stock-based compensation	5,695	8,945	4,777
Casualty and involuntary conversion gain	(2,753)	(414)	(328)
Straight-line rent	(20,671)	(7,072)	(9,858)
Other	3,684	1,942	3,902
Changes in operating assets and liabilities:			
Other receivables and other assets	(5,073)	5,759	2,102
Accounts payable, accrued expenses and other liabilities	29,007	8,385	10,361
Net cash provided by operating activities	221,302	199,251	169,957
INVESTING ACTIVITIES:			
Real estate acquisitions	(129,142)	(186,515)	(363,026)
Capital expenditures and development activities	(289,486)	(250,484)	(202,595)
Proceeds from dispositions of real estate investments	125,803	237,809	278,381
Investments in unconsolidated joint ventures	(17,820)	(1,660)	(777)
Proceeds from casualties and involuntary conversion	3,616	1,991	606
Distributions of investments in unconsolidated joint ventures	1,854	10,012	21,436
Other investing activities	(7,727)	(933)	(2,493)
Net cash used in investing activities	(312,902)	(189,780)	(268,468)
FINANCING ACTIVITIES:			
Proceeds from senior unsecured revolving line of credit	248,000	341,000	266,000
Repayments of senior unsecured revolving line of credit	(243,000)	(308,000)	(268,000)
Proceeds from senior unsecured notes	250,000	200,000	—
Repayments of senior unsecured notes	(174,000)	(40,000)	—
Principal payments on mortgage notes	(6,721)	(58,561)	(59,645)
Proceeds from issuance of common stock	108,604	—	241,954
Net settlement on issuance of stock-based compensation awards	(759)	(890)	(1,287)
Offering costs for issuance of common stock and OP Units	(1,644)	—	(2,947)
Redemption of noncontrolling interests	(5,692)	(4,421)	(997)
Dividends to common stockholders	(104,004)	(98,820)	(92,200)
Purchase of noncontrolling interest	(3,258)	—	—
Distributions to noncontrolling interests	(6,098)	(9,675)	(6,027)
Contributions from noncontrolling interests	444	648	201
Other financing activity	(2,076)	(4,523)	(14)
Net cash provided by financing activities	59,796	16,758	77,038
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(31,804)	26,229	(21,473)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	49,878	23,649	45,122
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$18,074	\$49,878	\$23,649

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest, net of capitalized interest	\$56,968	\$50,294	\$58,788
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Supplemental Disclosures of Non-Cash Activities:

Retirement of fully depreciated and amortized assets	\$32,935	\$34,752	\$25,379
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Redemptions of OP Units settled in shares of common stock	\$13,784	\$2,861	\$8,297
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Assumption of mortgage notes in connection with real estate acquired	\$—	\$22,958	\$20,310
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Change in capital expenditures accruals	\$20,903	\$(22,609)	\$(10,037)
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The accompanying notes are an integral part of these Consolidated Financial Statements.

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DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except unit information)

	December 31, 2016	December 31, 2015
ASSETS		
Land	\$ 1,075,995	\$ 1,009,905
Buildings and improvements	3,202,293	2,886,859
Intangible lease assets	78,356	84,420
Construction in progress	72,829	159,397
Total investment in properties	4,429,473	4,140,581
Less accumulated depreciation and amortization	(839,773)	(742,980)
Net investment in properties	3,589,700	3,397,601
Investments in and advances to unconsolidated joint ventures	95,606	82,635
Net investment in real estate	3,685,306	3,480,236
Cash and cash equivalents	10,286	18,412
Restricted cash	7,346	31,187
Straight-line rent and other receivables, net of allowance for doubtful accounts of \$379 and \$335, respectively	79,889	60,357
Other assets, net	25,315	15,964
Assets held for sale	—	26,199
Total assets	\$ 3,808,142	\$ 3,632,355
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	\$ 93,097	\$ 108,788
Distributions payable	29,622	26,938
Tenant prepaids and security deposits	32,884	29,663
Other liabilities	37,403	18,398
Intangible lease liabilities, net	21,421	22,070
Line of credit	75,000	70,000
Senior unsecured notes	1,351,969	1,276,097
Mortgage notes	201,959	210,375
Liabilities related to assets held for sale	—	869
Total liabilities	1,843,355	1,763,198
Partners' Capital:		
General Partner:		
OP Units, 950,442 and 923,532 issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	19,703	18,806
Limited Partners:		
OP Units, 94,093,805 and 91,429,694 issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	1,950,601	1,861,809
Accumulated other comprehensive loss	(18,634)	(24,137)
Total partners' capital	1,951,670	1,856,478
Noncontrolling interests	13,117	12,679
Total capital	1,964,787	1,869,157
Total liabilities and capital	\$ 3,808,142	\$ 3,632,355

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

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DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per unit information)

	Year Ended December 31,		
	2016	2015	2014
REVENUES:			
Rental revenues	\$391,360	\$353,091	\$334,787
Institutional capital management and other fees	1,416	1,606	1,739
Total revenues	392,776	354,697	336,526
OPERATING EXPENSES:			
Rental expenses	36,797	35,995	40,520
Real estate taxes	60,020	56,219	53,790
Real estate related depreciation and amortization	161,334	156,010	148,992
General and administrative	29,280	34,577	29,079
Impairment losses	—	2,285	5,635
Casualty and involuntary conversion gain	(2,753)	(414)	(328)
Total operating expenses	284,678	284,672	277,688
Operating income	108,098	70,025	58,838
OTHER INCOME (EXPENSE):			
Development profit, net of taxes	—	2,627	2,016
Equity in earnings of unconsolidated joint ventures, net	4,118	7,273	6,462
Gain on business combination	—	—	1,000
Gain on dispositions of real estate interests	49,895	77,871	39,671
Interest expense	(64,035)	(54,055)	(63,236)
Interest and other income (expense)	551	(40)	1,563
Income tax benefit (expense) and other taxes	(591)	(736)	217
Income from continuing operations	98,036	102,965	46,531
Income from discontinued operations	—	—	5,717
Consolidated net income of DCT Industrial Operating Partnership LP	98,036	102,965	52,248
Net income attributable to noncontrolling interests	(924)	(4,409)	(526)
Net income attributable to OP Unitholders	97,112	98,556	51,722
Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)
Adjusted net income attributable to OP Unitholders	\$96,443	\$97,878	\$51,045
NET EARNINGS PER OP UNIT – BASIC:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to OP Unitholders	\$1.03	\$1.06	\$0.58
NET EARNINGS PER OP UNIT – DILUTED:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to OP Unitholders	\$1.03	\$1.06	\$0.58
WEIGHTED AVERAGE OP UNITS OUTSTANDING:			
Basic	93,779	92,409	87,611
Diluted	93,894	92,741	87,903

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

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DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Consolidated net income of DCT Industrial Operating Partnership LP	\$98,036	\$102,965	\$52,248
Other comprehensive income:			
Net derivative loss on cash flow hedging instruments	(1,068)	(463)	(1,159)
Net reclassification adjustment on cash flow hedging instruments	6,611	4,785	4,670
Other comprehensive income	5,543	4,322	3,511
Comprehensive income	103,579	107,287	55,759
Comprehensive income attributable to noncontrolling interests	(964)	(4,381)	(447)
Comprehensive income attributable to OP Unitholders	\$102,615	\$102,906	\$55,312

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

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DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Statement of Changes in Capital

(in thousands)

	Total Capital	General Partner OP Units Units	Amount	Limited Partners OP Units Units	Amount	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at December 31, 2013	\$ 1,667,192	845	\$ 16,872	83,637	\$ 1,670,362	\$ (32,077)	\$ 12,035
Net income	52,248	—	517	—	51,205	—	526
Other comprehensive income (loss)	3,511	—	—	—	—	3,590	(79)
Issuance of OP Units, net of selling costs	239,007	—	—	7,516	239,007	—	—
Issuance of OP Units, share-based compensation plans	(1,287)	—	—	249	(1,287)	—	—
OP Units retired in connection with reverse unit-split	(26)	—	—	(1)	(26)	—	—
Amortization of share-based compensation	5,975	—	—	—	5,975	—	—
Distributions to OP Unitholders and noncontrolling interests	(100,408)	—	(998)	—	(98,761)	—	(649)
Capital contribution from noncontrolling interests	201	—	—	—	—	—	201
Redemption of limited partner OP Units, net	(997)	—	—	(33)	(997)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	77	2,428	(77)	(2,428)	—	—
Balance at December 31, 2014	\$ 1,865,416	922	\$ 18,819	91,291	\$ 1,863,050	\$ (28,487)	\$ 12,034
Net income	102,965	—	986	—	97,570	—	4,409
Other comprehensive income (loss)	4,322	—	—	—	—	4,350	(28)
Issuance of OP Units, share-based compensation plans	(890)	—	—	267	(890)	—	—
Amortization of share-based compensation	10,577	—	—	—	10,577	—	—
Distributions to OP Unitholders and noncontrolling interests	(109,460)	—	(1,051)	—	(104,025)	—	(4,384)
Capital contribution from noncontrolling interests	648	—	—	—	—	—	648
Redemption of limited partner OP Units, net	(4,421)	—	—	(127)	(4,421)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	2	52	(2)	(52)	—	—
Balance at December 31, 2015	\$ 1,869,157	924	\$ 18,806	91,429	\$ 1,861,809	\$ (24,137)	\$ 12,679
Net income	98,036	—	971	—	96,141	—	924
Other comprehensive income	5,543	—	—	—	—	5,503	40
Issuance of OP Units, net of selling costs	106,960	—	—	2,469	106,960	—	—
Issuance of OP Units, share-based compensation plans	(759)	—	—	348	(759)	—	—
	7,142	—	—	—	7,142	—	—

Amortization of share-based
compensation

Distributions to OP Unitholders and noncontrolling interests	(112,786)	—	(1,118)	—	(110,698)	—	(970)
Capital contributions from noncontrolling interests	444	—	—	—	—	—	444
Purchase of noncontrolling interest	(3,258)	—	—	—	(3,258)	—	—
Redemption of limited partner OP Units, net	(5,692)	—	—	(126)	(5,692)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	26	1,044	(26)	(1,044)	—	—
Balance at December 31, 2016	\$ 1,964,787	950	\$ 19,703	94,094	\$ 1,950,601	\$ (18,634)	\$ 13,117

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES:			
Consolidated net income of DCT Industrial Operating Partnership LP	\$98,036	\$102,965	\$52,248
Adjustments to reconcile consolidated net income of DCT Industrial Operating Partnership LP to net cash provided by operating activities:			
Real estate related depreciation and amortization	161,334	156,010	148,992
Gain on acquisitions and dispositions of real estate interests	(49,895)	(77,871)	(46,199)
Distributions of earnings from unconsolidated joint ventures	6,056	5,590	4,655
Equity in earnings of unconsolidated joint ventures, net	(4,118)	(7,273)	(6,462)
Impairment losses	—	2,285	5,767
Share-based compensation	5,695	8,945	4,777
Casualty and involuntary conversion gain	(2,753)	(414)	(328)
Straight-line rent	(20,671)	(7,072)	(9,858)
Other	3,684	1,942	3,902
Changes in operating assets and liabilities:			
Other receivables and other assets	(5,073)	5,759	2,102
Accounts payable, accrued expenses and other liabilities	29,007	8,385	10,361
Net cash provided by operating activities	221,302	199,251	169,957
INVESTING ACTIVITIES:			
Real estate acquisitions	(129,142)	(186,515)	(363,026)
Capital expenditures and development activities	(289,486)	(250,484)	(202,595)
Proceeds from dispositions of real estate investments	125,803	237,809	278,381
Investments in unconsolidated joint ventures	(17,820)	(1,660)	(777)
Proceeds from casualties and involuntary conversion	3,616	1,991	606
Distributions of investments in unconsolidated joint ventures	1,854	10,012	21,436
Other investing activities	(7,727)	(933)	(2,493)
Net cash used in investing activities	(312,902)	(189,780)	(268,468)
FINANCING ACTIVITIES:			
Proceeds from senior unsecured revolving line of credit	248,000	341,000	266,000
Repayments of senior unsecured revolving line of credit	(243,000)	(308,000)	(268,000)
Proceeds from senior unsecured notes	250,000	200,000	—
Repayments of senior unsecured notes	(174,000)	(40,000)	—
Principal payments on mortgage notes	(6,721)	(58,561)	(59,645)
Proceeds from the issuance of OP Units in exchange for contributions from the REIT, net	106,960	—	239,007
Net settlement on issuance of share-based compensation awards	(759)	(890)	(1,287)
OP Unit redemptions	(5,692)	(4,421)	(997)
Distributions paid on OP Units	(109,132)	(104,111)	(97,525)
Purchase of noncontrolling interest	(3,258)	—	—
Distributions paid to noncontrolling interests	(970)	(4,384)	(702)
Contributions from noncontrolling interests	444	648	201
Other financing activity	(2,076)	(4,523)	(14)
Net cash provided by financing activities	59,796	16,758	77,038
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(31,804)	26,229	(21,473)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	49,878	23,649	45,122
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$18,074	\$49,878	\$23,649

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest, net of capitalized interest	\$56,968	\$50,294	\$58,788
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Supplemental Disclosures of Non-Cash Activities:

Retirement of fully depreciated and amortized assets	\$32,935	\$34,752	\$25,379
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Assumption of mortgage notes in connection with real estate acquired	\$—	\$22,958	\$20,310
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Change in capital expenditures accruals	\$20,903	\$(22,609)	\$(10,037)
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The accompanying notes are an integral part of these Consolidated Financial Statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1 – Organization

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. 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" or "DCT Industrial," we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term "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, 2016, DCT owned approximately 96.3% 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. In May 2015, we determined that we had been the victim of a criminal fraud involving the impersonation of our Chief Executive Officer resulting in our transfer of \$6.1 million to third-party overseas accounts. As a result of efforts working with our bank and federal law enforcement authorities, we have recovered approximately \$3.0 million of the amount transferred. In addition, we have incurred \$0.3 million of other costs related to the investigation of this incident. We filed a claim with our insurance carriers related to this incident and received \$0.8 million in insurance proceeds through December 31, 2015. Accordingly, during the year ended December 31, 2015, we recorded an expense of \$2.6 million in "General and administrative" expense related to this incident and the associated internal investigation. We do not expect any additional recoveries in the future.

As of December 31, 2016, the Company owned interests in approximately 74.0 million square feet of properties leased to approximately 900 customers, including:

- 64.7 million square feet comprising 401 consolidated operating properties that were 97.2% occupied;
- 7.8 million square feet comprising 23 unconsolidated properties that were 97.8% occupied and which we operated on behalf of two institutional capital management partners and an unconsolidated joint venture;
- 0.3 million square feet comprising three consolidated properties under redevelopment; and
- 1.2 million square feet comprising four consolidated properties in development.

In addition, the Company has 10 projects under construction and several projects in pre-development. See "Note 3 – Investment in Properties" for further details.

Note 2 – Summary of Significant Accounting Policies
Basis of Presentation and Principles of Consolidation

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

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

All square feet, acres, occupancy, number of properties, number of customers and total projected investment disclosed in the notes to the Consolidated Financial Statements are unaudited.

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

We analyze our joint ventures in accordance with U.S. generally accepted accounting principles ("GAAP") to determine whether they are VIEs and, if so, whether we are the primary beneficiary. Our judgment with respect to our level of influence or control over an entity and whether we are the primary beneficiary of a VIE involves consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors (or equivalent body), the size of our investment (including loans), our obligation or right to absorb its losses or receive its benefits and our ability to participate in major decisions.

If a joint venture does not meet the characteristics of a VIE, we apply the voting interest model to determine whether the entity should be consolidated. Our ability to assess our influence or control over an entity affects the presentation of these investments in the Consolidated Financial Statements and our financial position and results of operations.

As described below in "New Accounting Standards", in 2016 we concluded our Operating Partnership meets the criteria of a VIE as the Operating Partnership's limited partners do not have the right to remove the general partner and do not have substantive participating rights in the operations of the Operating Partnership. Under the Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Partnership Agreement"), DCT is the primary beneficiary of the Operating Partnership as we have the obligation to absorb losses and receive benefits, and the power to control substantially all of the activities which most significantly impact the economic performance of the Operating Partnership. Accordingly, the Operating Partnership continues to be consolidated within DCT's financial statements.

Use of Estimates

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

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.

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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 rate 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 pre-development activities, and planned principal operations have not commenced.

Discontinued Operations and Assets Held for Sale

We classify certain properties and related assets and liabilities as held for sale when certain criteria are met. At such time, the respective assets and liabilities are presented separately on our Consolidated Balance Sheets. We include liabilities related to assets held for sale that will be transferred in the transaction in “Liabilities related to assets held for sale.” Assets held for sale are reported at the lower of carrying value or estimated fair value less estimated costs to sell.

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

Effective January 1, 2014, we adopted accounting standards update (“ASU”) No. 2014–08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, for all properties not previously sold or classified as held for sale. ASU 2014-08 revised the reporting requirements to only allow a component of an entity, or group of components of an entity, to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. Prior to January 1, 2014, properties identified as held for sale and/or disposed of are presented in discontinued operations for all periods presented.

Gains on sales of real estate assets are recognized if the specific transaction terms meet the various sale recognition criteria as defined by GAAP. If the criteria are not met, we defer the gain until such time that the criteria for sale recognition have been met. Net gains on sales and any impairment losses associated with assets held for sale are presented in continuing operations when recognized.

Fair Value

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. The guidance establishes a hierarchy for inputs used in measuring fair value based on observable and unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are based on market data obtained from sources independent of DCT. Unobservable inputs are inputs that reflect our assumptions of pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Inputs include quoted prices for similar assets and liabilities in active or inactive markets or that are observable either directly or indirectly for the asset or liability; and

Level 3: Unobservable inputs are typically based on management’s own assumptions, as there is little, if any, related observable market activity.

DCT’s assets and liabilities that are measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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 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 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. Management considers Level 3 inputs such as the replacement cost of such assets, appraisals, property condition reports, market data and other related information in determining the fair value of the tangible assets. 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 the current market rate for similar liabilities. The recorded fair value of intangible lease assets includes Level 3 inputs and represents the value associated with in-place leases which include leasing commissions, legal and other costs, as well as an intangible asset or liability resulting from in-place leases being above or below the market rental rates over the lease term on the date of the acquisition. 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.

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, 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 its estimated fair value.

Depreciation and Useful Lives of Real Estate Assets

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities. Our ability to assess the useful lives of our real estate assets accurately is critical to the determination of the appropriate amount of depreciation and amortization expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation and amortization expense we recognize.

The following table presents the standard depreciable lives generally used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The carrying value of assets sold or retired and the related accumulated depreciation and/or amortization is derecognized and the resulting gain or loss, if any, is recorded during the period in which such sale or retirement occurs.

Description	Expected Useful Life
Land	Not depreciated
Building	20 – 40 years
Building and land improvements	5 – 20 years
Tenant improvements	Shorter of lease term or useful life
Leasing costs	Lease term
Other intangible lease assets	Average term of leases for property
Above/below market rent assets/liabilities	Reasonably assured lease term

Depreciation is not recorded on real estate assets currently held for sale, in pre-development, or being developed or redeveloped until the building is substantially completed and ready for its intended use, not later than one year from cessation of major construction activity.

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. Examples of such changes in circumstances include the point at which we deem a building to be held for sale, our intended hold period changes, 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 supported 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 Level 3 inputs 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, historical experience, lease terms, customer 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 any 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.

For the years ended December 31, 2015 and 2014, we recognized impairment losses of approximately \$2.3 million on the disposition of two properties in our East operating segment and \$5.6 million on the disposition of four properties and one property held for sale in our East and Central operating segments, respectively. The estimated fair values of the impaired properties were based upon the contractual sales price, a Level 2 fair value measurement. No impairment losses were recognized during the year ended December 31, 2016.

Investments in and Advances to Unconsolidated Joint Ventures

We account for our investments in and advances to unconsolidated joint ventures under the equity method because we exercise significant influence over, but do not control, these entities. Under the equity method, these investments (including advances to joint ventures) are initially recorded at cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of each of the joint ventures, distributions received, contributions made and certain other adjustments, as appropriate. Such investments are included in "Investments in and advances to unconsolidated joint ventures" in our Consolidated Balance Sheets. Distributions from these investments that are related to cash earnings from operations are included as operating activities and distributions that are related to capital transactions are included as investing activities in our Consolidated Statements of Cash Flows.

Investment properties that were contributed to unconsolidated joint ventures prior to the adoption of ASU 2014-08 are not considered discontinued operations due to our continuing involvement through maintaining an ownership interest in these investment properties and continuing to act as manager of the assets. We recognize any gains from the contribution of investment properties into an unconsolidated joint venture if the recognition criteria have been met and the cash received is not required to be reinvested. Such gains are recognized to the extent of the outside ownership interest in the joint venture in our Consolidated Statements of Operations under the heading of "Gain on dispositions of real estate interests." Any gain related to the remaining proceeds reduces our basis in the investment in the unconsolidated joint venture, and is recognized into earnings over the weighted average life of the related property's real estate assets. We recognize our proportionate share of the ongoing earnings or losses of each unconsolidated joint venture in "Equity in earnings of unconsolidated joint ventures, net" in our Consolidated Statements of Operations.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

We evaluate our investments in unconsolidated entities 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. These factors are Level 2 and 3 inputs and include but are not limited to, 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 a negative impact on the Consolidated Financial Statements. See "Note 4 – Investments in and Advances to Unconsolidated Joint Ventures" for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less. We have not realized any losses in our cash and cash equivalents and believe that these short-term instruments are not exposed to any significant credit risk.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and capital replacement reserves, security deposits and amounts held by intermediary agents to be used for tax-deferred, like-kind exchange transactions. For the years ended December 31, 2016 and December 31, 2015, approximately \$4.8 million and \$28.4 million, respectively, of restricted cash was included in "Cash, Cash Equivalents and Restricted Cash" in our Consolidated Statements of Cash Flows related to tax deferred, like-kind exchange transactions. For the year ended December 31, 2015, the funds that had been obtained in tax deferred, like-kind exchange transactions were utilized during the year ended December 31, 2016.

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within our Consolidated Balance Sheets to amounts reported within our Consolidated Statements of Cash Flows (in thousands):

	As of December	
	31,	
	2016	2015
Cash and cash equivalents	\$10,286	\$18,412
Restricted cash	7,346	31,187
Restricted cash included in Other assets, net	442	279
Total Cash, cash equivalents and restricted cash	\$18,074	\$49,878

Straight-line Rent and Other Receivables

Straight-line rent and other receivables include all straight-line rent and current accounts receivable, net of allowances. We maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If a customer fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances. As of December 31, 2016 and 2015, our allowance for doubtful accounts was approximately \$0.4 million and \$0.3 million, respectively.

Debt

Debt consists of fixed and variable rate secured mortgage notes, senior unsecured notes and bank unsecured credit facilities. Discounts and premiums to the principal amounts are included in the carrying value of debt and amortized to "Interest expense" over the remaining life of the underlying debt. As of December 31, 2016 and 2015, the aggregated premium balance, net of accumulated amortization, was approximately \$0.1 million and \$1.7 million, respectively. For the years ended December 31, 2016, 2015 and 2014, the amortization of all premiums/discounts resulted in a reduction of interest expense of approximately \$1.5 million, \$2.8 million and \$1.8 million, respectively, including amounts from discontinued operations.

Debt issuance costs related to a recognized liability are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. Debt issuance costs related to line-of-credit arrangements are presented as an asset regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

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Deferred loan costs include fees and costs incurred to obtain long-term financing. These fees and costs are amortized to "Interest expense" over the terms of the related loans. Accumulated amortization of deferred loan costs was approximately \$5.8 million and \$3.9 million as of December 31, 2016 and 2015, respectively. Our interest expense for the years ended December 31, 2016, 2015 and 2014 includes approximately \$2.5 million, \$2.3 million and \$2.2 million for the amortization of loan costs, respectively.

Derivative Instruments and Hedging Activities

We may use interest rate swaps to manage certain interest rate risk. We record derivatives at fair value which are presented on a gross basis in "Other assets, net" or "Other liabilities" in our Consolidated Balance Sheets. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties.

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

Comprehensive Income

We report comprehensive income in our Consolidated Statements of Comprehensive Income. Amounts reported in "Accumulated other comprehensive loss" related to settled hedging transactions will be amortized to "Interest expense" as the hedged forecasted transactions occur. Any ineffectiveness related to our hedging transactions is reported in our Consolidated Statements of Operations. See "Note 5 – Financial Instruments and Hedging Activities" for additional information.

Revenue Recognition

At the inception of a new lease arrangement, including new leases that arise from amendments, we assess the terms and conditions to determine the proper lease classification. A lease arrangement is classified as an operating lease if none of the following criteria are met: (i) transfer of ownership to the lessee, (ii) lessee has a bargain purchase option during or at the end of the lease term, (iii) the lease term is equal to 75% or more of the underlying property's economic life, or (iv) the present value of future minimum lease payments (excluding executory costs) are equal to 90% or more of the excess estimated fair value (over retained investment tax credits) of the leased building. Generally our leases do not meet any of the other criteria above and accordingly are classified as operating leases. The Company's weighted average lease term based on square feet is 6.5 years.

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, receivables from tenants that we expect to collect over the remaining lease term are recorded on the balance sheet as straight-line rent receivables. The total increase to "Rental revenues" due to straight-line rent adjustments was approximately \$20.7 million, \$7.1 million and \$9.9 million, respectively, for the years ended December 31, 2016, 2015 and 2014.

If the lease provides for tenant improvements, we determine whether the tenant improvements are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the leased asset until the tenant improvements are substantially complete. When we are the owner of the tenant improvements, any tenant improvements funded by the tenant are treated as lease payments which are deferred and amortized into rental revenues over the lease term. When the tenant is the owner of the tenant improvements, we record any tenant improvement allowance funded as a lease incentive and amortize it as a reduction of rental revenue over the lease term.

Tenant recovery income includes reimbursements due from tenants pursuant to their leases for real estate taxes, insurance, repairs and maintenance and other recoverable property operating expenses and is recognized as “Rental revenues” during the period the related expenses are incurred. The reimbursements are recognized and presented on a gross basis, as the Company is generally the primary obligor and, with respect to purchasing goods and services from third party suppliers, has discretion in selecting the supplier and bears the associated credit risk. Tenant recovery income recognized as “Rental revenues” was approximately \$92.0 million, \$82.3 million and \$76.5 million, respectively, for the years ended December 31, 2016, 2015 and 2014.

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. We consider a reasonably assured term to be the measurement period equal to the remaining non-cancelable term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining contractual lease term. The total net impact to “Rental revenues” due to the amortization of above and below market rents was an increase of approximately \$2.9 million, \$3.0 million and \$2.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Future minimum base rental payment, i.e., cash received for monthly contractual rent, due to us from our customers under the terms of non-cancelable operating leases that have commenced as of December 31, 2016 were as follows (in thousands):

Year Ended December 31,	Amounts
2017	\$274,442
2018	243,766
2019	210,977
2020	180,798
2021	134,173
Thereafter	372,505
Total	\$1,416,661

The schedule above does not reflect future rental revenues from the potential renewal or replacement of existing and future leases and excludes tenant recovery income. Additionally, leases where the tenant can terminate the lease with short-term notice are not included.

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. During the years ended December 31, 2016, 2015 and 2014, early lease termination fees were approximately \$0.9 million, \$2.5 million and \$2.1 million, respectively.

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

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

Stock-Based Compensation

On October 10, 2006, we established the Long-Term Incentive Plan, as amended, to grant restricted stock, LTIP Units, stock options and other awards to our personnel and directors. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards fully vest. Such expense is included in "General and administrative" expense in our Consolidated Statements of Operations. Options issued under the Long-Term Incentive Plan are valued using the Black-Scholes option pricing model, which relies on assumptions we make related to the expected term of the options, volatility, dividend yield and risk-free interest rate.

Income and Other Taxes

We have elected to be taxed as a REIT, as defined under the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, we generally will not be subject to U.S. federal income taxes on our net income that is distributed to our stockholders if we distribute at least 90% of our REIT taxable income to our stockholders. REITs are also subject to a number of other organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to U.S. federal income tax at regular corporate rates (including any applicable alternative minimum tax). Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local and non-U.S. income taxes. We also will be required to pay a 100% tax on non-arm's length transactions between us and our taxable REIT subsidiary, any redetermined TRS service income and on any net income from gain on property that was held for sale to customers in the ordinary course of business.

Certain of our operations (property management, asset ownership or management, sales of certain assets, etc.) may be conducted through taxable REIT subsidiaries, which are subsidiaries of the operating partnership and each of which we refer to as a TRS. A TRS is a C-corporation for which a REIT and its subsidiary C-corporation have jointly elected for the C-corporation to be a taxable REIT subsidiary of the REIT and therefore is subject to U.S. federal corporate income tax.

For our taxable REIT subsidiaries, deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for U.S. federal income tax purposes, as well as interest and loss carryforwards, and are measured using current enacted tax rates and laws that are expected to be in effect when the differences reverse. We reduce deferred tax assets by recording a valuation allowance when we determine based on available evidence that it is more likely than not that the assets will not be realized.

The Company recognizes penalties and interest accrued related to unrecognized tax benefits, if any, as general and administrative expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax expense. We had no interest expense or penalties related to unrecognized tax benefits for the years ended December 31, 2016, 2015 or 2014. We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the "more likely than not" threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having

full knowledge of all the relevant information. As of December 31, 2016 and 2015, there were no unrecognized tax benefits. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months. Our federal income tax returns and income tax returns for various state and local jurisdictions are subject to examination by the Internal Revenue Service for the year ended December 31, 2012 and subsequent years.

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New Accounting Standards

In May 2014, the Financial Accounting Standards Boards (“FASB”) issued an ASU that requires companies to recognize revenue from contracts with customers based upon the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The FASB subsequently issued additional ASU's which improve guidance and provide clarification of the new standard. The guidance is effective for fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. The Company expects to adopt the standard effective January 1, 2018 and utilize the modified retrospective transition method. Given the nature of our business, our primary revenue stream is from relatively short lived leases with tenants. We do not expect the adoption of this standard to have a significant impact on our Consolidated Financial Statements and related disclosures.

In February 2015, the FASB issued an ASU that modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The guidance is effective for fiscal years beginning after December 15, 2015. We adopted this standard effective January 1, 2016. We concluded the Operating Partnership meets the criteria of a VIE and DCT is the primary beneficiary. Accordingly, we continue to consolidate the Operating Partnership. As the Operating Partnership was previously consolidated, the adoption of the ASU did not result in any changes to our conclusions regarding consolidation or deconsolidation of entities.

In October 2016, the FASB issued an update to this ASU that modifies the evaluation method for an entity determining whether it is the primary beneficiary of a VIE. The guidance is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted, and we adopted this guidance retrospectively in 2016. The adoption of the ASU did not result in any changes to our conclusions regarding consolidation or deconsolidation of entities and did not have an impact in our Consolidated Financial Statements.

In February 2016, the FASB issued an ASU that modifies existing accounting standards for lease accounting. The new standard requires a lessee to record a lease asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Leases in which we are the lessee will generally be accounted for as operating leases and we will record a lease asset and a lease liability. The new standard requires lessors to account for leases using an approach that is substantially the same as existing guidance for sales-type leases, direct financing leases and operating leases. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2016. Leases in which we are the lessor will continue to be accounted for as operating leases with minimal impact on the Company's financial condition or results of operation. The standard requires a modified retrospective transition approach for all capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with an option to use certain transition relief. The Company expects to adopt this standard effective January 1, 2019. The adoption of this guidance will impact our current policy to capitalize internal direct costs related to the successful origination of new leases, which are currently being amortized over the lease term, as internal costs will be expensed.

In March 2016, the FASB issued an ASU that simplifies the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. We will adopt this guidance effective January 1, 2017. The adoption of the guidance will not have a significant impact on our Consolidated Financial Statements.

In August 2016, the FASB issued an ASU that clarifies how companies should classify certain cash receipts and payments on the statement of cash flows, including equity method investee distributions, insurance proceeds settlements and contingent consideration payments made following a business combination. The new standard also clarifies the predominance principle applied when cash receipts and payments have aspects of more than one class of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted,

and we adopted this guidance retrospectively in 2016. The adoption of the guidance did not have an impact on our Consolidated Financial Statements or Consolidated Statements of Cash Flows.

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In November 2016, the FASB issued an ASU that requires companies to combine restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning and end of period total amounts on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted, and we adopted this guidance retrospectively in 2016. As a result, we have included restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning and end of period total amounts on our Consolidated Statements of Cash Flows. The effects of this standard were applied retrospectively to all prior annual periods presented within these Consolidated Financial Statements. For the years ended December 31, 2015 and 2014 the effect of the change in accounting principle was the reduction in cash provided by operating activities of \$1.3 million and \$37,000, respectively, and the increase in cash used in investing activities of \$28.7 million and decrease in cash used in investing activities of \$8.8 million, respectively, on our Consolidated Statements of Cash Flows

In January 2017, the FASB issued an ASU that clarifies the definition of a business. The ASU is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. We intend to adopt this standard prospectively effective January 1, 2017. As a result, we anticipate that fewer of our acquisitions made in the normal course of business will meet the definition of a business, as our typical acquisitions consist of properties whereby substantially all of the fair value of gross assets acquired is concentrated in a single asset (land, building and in-place leases).

Note 3 – Investment in Properties

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

	December 31, 2016	December 31, 2015
Operating properties	\$4,177,642	\$3,791,721
Properties under development	161,381	242,906
Properties in pre-development	52,998	41,313
Properties under redevelopment	29,754	56,943
Land held	7,698	7,698
Total investment in properties	4,429,473	4,140,581
Less accumulated depreciation and amortization	(839,773)	(742,980)
Net investment in properties	\$3,589,700	\$3,397,601

Acquisition Activity

2016 Acquisition Activity

During the year ended December 31, 2016, we acquired eight buildings totaling 1.0 million square feet for a total purchase price of \$84.3 million. Related to these acquisitions, we incurred acquisition costs of approximately \$1.1 million during the year ended December 31, 2016, included in “General and administrative” in our Consolidated Statements of Operations. The table below presents a summary of our acquisitions during 2016:

	Market	Number of Buildings	Square Feet
Central Operating Segment	Chicago	2	139,000
	Cincinnati	1	301,000
	Dallas	1	82,000
	Total	4	522,000
West Operating Segment	Denver	1	146,000
	Northern California	1	66,000
	Southern California	2	255,000
	Total	4	467,000
	Total Acquisitions	8	989,000

2015 Acquisition Activity

During the year ended December 31, 2015, we acquired 17 buildings totaling 2.4 million square feet for a total purchase price of \$153.1 million. Related to these acquisitions, we incurred acquisition costs of approximately \$1.9 million during the year ended December 31, 2015, included in "General and administrative" in our Consolidated Statements of Operations. The table below presents a summary of our acquisitions during 2015:

	Market	Number of Buildings	Square Feet
East Operating Segment	Atlanta	3	584,000
	Miami	1	54,000
	Total	4	638,000
Central Operating Segment	Dallas	1	59,000
	Houston	2	321,000
	Total	3	380,000
West Operating Segment	Denver	5	691,000
	Northern California	2	448,000
	Phoenix	1	50,000
	Seattle	2	153,000
	Total	10	1,342,000
	Total Acquisitions	17	2,360,000

Development Activity

2016 Development Activity

Our properties under development include the following:

Four buildings totaling 1.2 million square feet that we completed shell construction on as of December 31, 2016 with cumulative costs of approximately \$66.3 million and a projected investment of \$78.5 million. These properties are 32.9% occupied based on weighted average square feet; and

Ten projects under construction totaling 2.6 million square feet with cumulative costs of approximately \$96.7 million and a projected investment of \$240.2 million.

During the year ended December 31, 2016, we acquired approximately 130.5 acres of land in the Baltimore/Washington D.C., Chicago, Dallas, Denver, Miami and Seattle markets for approximately \$43.8 million that is under construction or held for future development.

2015 Development Activity

Our properties under development included the following:

Three buildings totaling 0.5 million square feet that we completed shell construction on as of December 31, 2015, including one building totaling 0.1 million square feet for which shell construction was complete upon acquisition. As of December 31, 2016, these buildings have been stabilized.

Thirteen projects under construction totaling 4.0 million square feet.

During the year ended December 31, 2015, we acquired ten land parcels totaling approximately 271.9 acres of land in the Atlanta, Baltimore/Washington D.C., Chicago, Dallas, Miami, Northern California and Orlando markets for approximately \$54.9 million that are stabilized, under construction or held for future development. Additionally, during the year ended December 31, 2015, we acquired a parking lot located in a business park where we own several buildings.

During the year ended December 31, 2015, we recognized development profit, net of taxes, of approximately \$2.6 million related to the sales of 8th & Vineyard C, 8th & Vineyard D and 8th & Vineyard E to third-parties. See "Note 12 – Related Party Transactions" for additional information.

Disposition Activity

2016 Disposition Activity

During the year ended December 31, 2016, we sold 15 consolidated operating properties, totaling 2.9 million square feet, to third-parties for gross proceeds of approximately \$128.7 million. We recognized gains of approximately \$49.9 million on the disposition of the properties. The table below presents a summary of our dispositions during 2016:

	Market	Number of Buildings	Square Feet
Central Operating Segment	Chicago	6	1,141,000
	Dallas	1	102,000
	Houston	3	273,000
	Indianapolis	3	823,000
	Louisville	1	506,000
	Total	14	2,845,000
West Operating Segment	Northern California	1	36,000
	Total Dispositions	15	2,881,000

2015 Disposition Activity

During the year ended December 31, 2015, we sold 30 consolidated operating properties, totaling 5.3 million square feet, to third-parties for gross proceeds of approximately \$243.4 million. We recognized gains of approximately \$77.9 million on the disposition of 28 properties. We recognized impairment losses of approximately \$2.3 million on the disposition of two properties during 2015. The impairment losses are included in "Income from continuing operations" in the Consolidated Statements of Operations.

	Market	Number of Buildings	Square Feet
East Operating Segment	Atlanta	9	1,464,000
	Memphis	6	2,327,000
	New Jersey	3	242,000
	Pennsylvania	1	104,000
	Total	19	4,137,000
Central Operating Segment	Indianapolis	2	632,000
	Louisville	1	303,000
	Houston	8	229,000
	Total	11	1,164,000
	Total Dispositions	30	5,301,000

Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see "Note 2 – Summary of Significant Accounting Policies" for additional information) was approximately \$11.9 million, \$14.5 million and \$14.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Our intangible lease assets and liabilities included the following (in thousands):

	December 31, 2016				December 31, 2015			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Life (In Years)	Gross	Accumulated Amortization	Net	
Other intangible lease assets	\$75,085	\$(39,438)	\$35,647	3	\$79,718	\$(35,993)	\$43,725	
Above market rent	\$3,271	\$(1,396)	\$1,875	4	\$4,702	\$(2,280)	\$2,422	
Below market rent	\$(33,029)	\$11,608	\$(21,421)	8	\$(31,565)	\$9,495	\$(22,070)	

The following table presents the estimated net amortization of such intangible assets and liabilities and the net impact to rental revenues due to the amortization of above and below market rents for the next five years and thereafter (in thousands):

For the Period Ended December 31,	Estimated Net Amortization of Other Intangible Lease Assets	Estimated Net Increase to Rental Revenues Related to Above and Below Market Rents
2017	\$ 10,017	\$ 2,717
2018	7,280	2,144
2019	5,748	1,695
2020	3,591	888
2021	1,951	735
Thereafter	7,060	11,367
Total	\$ 35,647	\$ 19,546

Casualty Events

During 2016, we recorded casualty gains in our Consolidated Statements of Operations of approximately \$2.8 million primarily related to insurance settlements from casualty events in our Dallas and Northern California markets. During 2015, a series of storms caused damage to some of our properties which were covered by insurance for all losses, subject to our deductibles. The recoveries received for damages were in excess of the sum of our incurred losses for clean-up costs and the net book value written off for the damaged property. After all contingencies relating to the casualties were resolved, we recorded casualty gains of approximately \$0.4 million in our Consolidated Statements of Operations.

Note 4 – Investments in and Advances to Unconsolidated Joint Ventures

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

During December 2016, the DCT/SPF Industrial Operating LLC joint venture acquired a 10.8 acre parking lot adjacent to a property located in the Cincinnati market owned by the venture. Our share of the purchase price was approximately \$0.5 million.

During September 2016, the TRT-DCT Venture III disposed of one property. We received distributions of approximately \$0.5 million from our share of the gross proceeds and recognized our share of the gain on the sale of approximately \$0.1 million, which is included in "Equity in earnings of unconsolidated joint ventures, net" in our Consolidated Statements of Operations.

During September 2016, the Southern California Logistics Airport ("SCLA") joint venture completed development activities and stabilized one building totaling 0.4 million square feet.

During August 2015, IDI/DCT, LLC sold its last property. We received approximately \$14.0 million for our share of the gross proceeds and recognized our share of the gain on sale of approximately \$3.7 million, which is included in "Equity in earnings of unconsolidated joint ventures, net" in our Consolidated Statement of Operations.

During August 2015, we purchased our partner's 25.0% interest in one land parcel from the IDI/DCT Buford, LLC joint venture for approximately \$1.1 million.

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The following table summarizes our unconsolidated joint ventures (dollars in thousands):

Unconsolidated Joint Ventures	As of December 31, 2016		Investments in and Advances to as of	
	Ownership Percentage	Number of Buildings	December 31, 2016	December 31, 2015
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC	20.0%	13	\$37,588	\$38,153
TRT-DCT Venture III	10.0%	3	1,546	1,972
Total Institutional Joint Ventures		16	39,134	40,125
Other:				
SCLA ⁽¹⁾	50.0%	7	56,472	42,510
Total		23	\$95,606	\$82,635

(1) 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.

Our aggregate investment in these unconsolidated joint ventures at December 31, 2016 and 2015 of approximately \$95.6 million and \$82.6 million, respectively, exceeds our share of the underlying equity in the net assets of the joint ventures by approximately \$13.0 million and \$13.8 million, respectively, primarily due to costs incurred in connection with the ventures and capitalized interest prior to commencement of planned principal operations.

Institutional Capital Management Joint Ventures

DCT/SPF Industrial Operating LLC

During 2007, we entered into a joint venture agreement with Industrial Acquisition LLC (“JP Morgan”), an entity advised by JPMorgan Asset Management, to form DCT/SPF Industrial Operating LLC (“JP Morgan Venture”) that owns and operates industrial properties located in the U.S. Our actual ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2016 our ownership interest is 20.0%. As a result of our contribution of properties into the JP Morgan Venture in 2007, we have deferred gains of \$2.4 million as of December 31, 2016, which will be recognized through earnings over the weighted average life of the related properties, or upon disposition of the properties to a third-party.

TRT-DCT Industrial Joint Ventures III

We formed a joint venture with DCDPF, TRT-DCT Industrial Joint Venture III, G.P. (“TRT-DCT Venture III”), on September 9, 2008. Our ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2016 our ownership interest is 10%.

Development Projects in Unconsolidated Joint Ventures

SCLA

During 2006, we entered into a joint venture agreement with Stirling Airports International, LLC, (“Stirling”), an unrelated third-party, to be the master developer of up to 4,350 acres in Victorville, California, part of the Inland Empire submarket in Southern California. The development project is located at the former George Air Force Base which closed in 1992 and is now known as SCLA. Stirling entered into two master development agreements which gave it certain rights to be the exclusive developer of the SCLA development project through 2019 (including certain extensions) and assigned these rights to the SCLA joint venture upon the closing of the venture. While our exact share of the equity interests in the SCLA joint venture will depend on the amount of capital we contribute and the timing of contributions and distributions, the SCLA joint venture contemplates an equal sharing between us and Stirling of residual profits and cash flows after all priority distributions. As of December 31, 2016, the SCLA joint venture owned seven operating buildings comprised of 2.6 million square feet which were 99.9% occupied, an additional 143.9 acres of land available for development and 15.8 acres that is classified as under construction for the development of a 0.4 million square foot property.

IDI/DCT, LLC

During 2007, we entered into a joint venture agreement with Industrial Developments International, Inc. (“IDI”), an unrelated third-party developer, to acquire approximately 113 acres of land to develop four distribution buildings comprising approximately 1.9 million square feet in the Savannah, GA, Nashville, TN, Chicago, IL, and Stockton, CA markets. DCT has the right of first offer to buy each of the projects and the buildings are operating.

As noted above during 2015 the venture sold its last property to a third-party. As a result of capitalized development costs, we had deferred expenses of \$0.4 million that were recognized during 2015 upon the disposition of the venture’s property.

IDI/DCT Buford, LLC

During 2008, we entered into a joint venture agreement with IDI to form IDI/DCT Buford, LLC. As noted above during 2015, we purchased our partner’s 25.0% interest in a land parcel and consolidated the land as of December 31, 2016.

Guarantees

There are no lines of credit or side agreements related to, or between, our unconsolidated joint ventures and us, and there are no derivative financial instruments between our unconsolidated joint ventures and us. In addition, we do not believe we have any material exposure to financial guarantees.

Note 5 – Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of December 31, 2016 and 2015, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

	As of December 31, 2016		As of December 31, 2015	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings: ⁽¹⁾				
Senior unsecured revolving credit facility	\$75,000	\$75,000	\$70,000	\$70,000
Fixed rate debt ⁽²⁾	\$1,411,349	\$1,475,605	\$1,268,596	\$1,310,388
Variable rate debt	\$150,000	\$150,427	\$225,000	\$222,649
Interest rate contracts:				
Interest rate swap asset ⁽³⁾	\$2,084	\$2,084	\$219	\$219

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

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

The fair value of our interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows based on an expectation of future interest rates derived from Level 2 observable market interest rate curves. We also incorporate a credit

(3) valuation adjustment, which is derived using unobservable Level 3 inputs, to appropriately reflect both our nonperformance risk and the respective counterparty’s nonperformance risk in the fair value measurement. The asset or liability is included in “Other assets, net” or “Other liabilities,” respectively, in our Consolidated Balance Sheets.

The following table presents a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015 (in thousands). The table also displays gains and losses due to changes in fair value, including both realized and unrealized, recognized in the Consolidated Statements of Operations for Level 3 liabilities. When assets and liabilities are transferred between levels, we recognize the transfer at the beginning of the period. There were no transfers between levels during the years ended December 31, 2016 and 2015 (in thousands).

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	During the Year Ended December 31, 2016	2015
Level 3 Assets (Liabilities):		
Interest Rate Swaps:		
Beginning balance at January 1	\$ 219	\$ (167)
Net unrealized gain (loss) included in accumulated other comprehensive income	(1,126)	73
Realized loss recognized in interest expense	2,991	313
Ending balance at December 31	\$ 2,084	\$ 219
Hedging Activities		

To manage interest rate risk for variable rate debt and issuances of fixed rate debt, we primarily use treasury locks and interest rate swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Such derivatives have been used to hedge the variability in existing and future interest expense associated with existing variable rate borrowings and forecasted issuances of debt, which may include issuances of new debt, as well as refinancing of existing debt upon maturity.

Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges.

Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

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

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rates swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of December 31, 2016 and 2015, we had borrowings payable subject to these pay-fixed, receive-floating interest swaps with aggregate principal balances of approximately \$6.6 million and \$6.8 million, respectively.

During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates on our \$200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. The interest rate swap effectively fixes the interest rate on the related debt instrument at 3.31%,

however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. In the event that USD LIBOR is negative, the Company will make payments to the hedge counterparty equal to the negative spread between USD LIBOR and zero. During the years ended December 31, 2016 and 2015, we recorded approximately \$(0.4) million and \$0.0 million, respectively, of hedge ineffectiveness in earnings attributable to a 0.0% floor mismatch in the hedging relationships (i.e., there is no floor on the variable interest rate of the swap whereas the current variable rate debt from which the hedged forecasted transactions are expected to flow is subject to a 0.0% floor on the USD LIBOR component of the interest rate). As of December 31, 2016 and 2015, the entire \$200.0 million principal amount of the term loan was subject to this pay-fixed, receive-floating interest swap.

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The following table presents the effect of our derivative financial instruments on our accompanying Consolidated Financial Statements (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
Derivatives in Cash Flow Hedging Relationships			
Interest Rate Swaps:			
Amount of loss recognized in OCI for effective portion of derivatives	\$(1,068)	\$(463)	\$(1,159)
Amount of loss reclassified from accumulated OCI for effective portion of derivatives into interest expense and equity in earnings of unconsolidated joint ventures, net	\$(6,611)	\$(4,785)	\$(4,670)
Amount of gain recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)	\$(414)	\$—	\$—

Amounts reported in “Accumulated other comprehensive loss” related to derivatives will be amortized to “Interest expense” as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately \$5.7 million will be reclassified from “Accumulated other comprehensive loss” to “Interest expense” resulting in an increase in interest expense.

Note 6 – Outstanding Indebtedness

As of December 31, 2016, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.2 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2015, our outstanding indebtedness of \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.7 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures.

As of December 31, 2016, the gross book value of our consolidated properties was approximately \$4.4 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. As of December 31, 2015, the total gross book value of our consolidated properties was approximately \$4.1 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. Our debt has various covenants with which we were in compliance as of December 31, 2016 and 2015.

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Our outstanding indebtedness is summarized below (in thousands, footnotes on following page):

			As of December 31,	
	Interest Rate ⁽¹⁾	Maturity Date	2016	2015
Senior Unsecured Notes:				
9 year, fixed rate	5.43%	Apr-20	\$50,000	\$50,000
10 year, fixed rate ⁽²⁾	5.77%	Apr-16	—	50,000
Private Placement 7 year, fixed rate	6.31%	Jun-17	51,000	51,000
Private Placement 8 year, fixed rate	6.52%	Jun-18	41,500	41,500
Private Placement 11 year, fixed rate	6.95%	Jun-21	77,500	77,500
2011 Private Placement 5 year, fixed rate	4.02%	Aug-16	—	49,000
2011 Private Placement 7 year, fixed rate	4.69%	Aug-18	40,000	40,000
2011 Private Placement 8 year, fixed rate	4.97%	Aug-19	46,000	46,000
2011 Private Placement 10 year, fixed rate	5.42%	Aug-21	15,000	15,000
2011 Private Placement 11 year, fixed rate	5.50%	Aug-22	40,000	40,000
2011 Private Placement 12 year, fixed rate	5.57%	Aug-23	35,000	35,000
2012 Private Placement 10 year, fixed rate ⁽²⁾	4.21%	Sep-22	90,000	90,000
2016 Private Placement 8 year, fixed rate	3.75%	Aug-24	80,000	—
2016 Private Placement 10 year, fixed rate	3.92%	Aug-26	90,000	—
2016 Private Placement 12 year, fixed rate	4.02%	Aug-28	80,000	—
2013 Bonds, 10 year, fixed rate ⁽²⁾	4.50%	Oct-23	275,000	275,000
Mortgage Secured Notes:				
Airport Distribution Center	6.88%	Apr-17	17,439	17,789
1725 Puyallup Street	6.11%	Apr-17	3,470	3,554
6740 Dorsey	5.62%	Jun-17	8,200	8,200
State Highway 225	6.25%	Aug-17	5,451	5,607
Miami Commerce Center	6.91%	Oct-18	1,200	1,823
Cabot	6.17%	Feb-19	47,808	48,710
Cabot ⁽²⁾	6.11%	Feb-20	62,295	63,490
6400 Hollister	6.70%	Apr-20	6,075	6,240
7425 Pinemont	6.25%	Jul-20	2,367	2,410
1050 Northbrook Parkway	5.50%	Jan-21	2,690	2,863
1625 Rollins Road	4.25%	Dec-21	17,451	17,997
Haven A	7.29%	Oct-22	5,572	6,325
1450 Remington Blvd	6.72%	Nov-22	5,912	6,716
Haven G	4.72%	Jun-23	898	921
740 Palmyrita	4.72%	Jun-23	5,729	5,878
6th & Rochester	4.96%	Aug-23	2,326	2,613
1555 Oakley Industrial Blvd	5.75%	Aug-25	5,327	5,794
Total			1,211,210	1,066,930
Premiums/Discounts, Net of Amortization	N/A		139	1,666
Deferred Loan Costs, Net of Amortization	N/A		(4,956)	(3,909)
Total Senior Unsecured Notes and Mortgage Notes, net	N/A		1,206,393	1,064,687
Bank Unsecured Credit Facilities				
Senior unsecured revolving credit facility	1.72%	Apr-19	75,000	70,000
2017 Notes, variable rate	1.82%	Apr-17	25,000	100,000
2020 Notes, variable rate	1.82%	Apr-20	125,000	125,000
2022 Notes, fixed rate	3.31%	Dec-22	200,000	200,000
Deferred Loan Costs, Net of Amortization ⁽³⁾			(2,465)	(3,215)
Total Bank Unsecured Credit Facilities			422,535	491,785
Total Carrying Value of Debt			\$1,628,928	\$1,556,472

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Fixed Rate Debt ⁽⁴⁾	4.80%	\$1,411,210	\$1,266,930
Premiums/Discounts, Net of Amortization	N/A	139	1,666
Deferred Loan Costs, Net of Amortization ⁽³⁾	N/A	(7,421)	(7,124)
Variable Rate Debt ⁽⁴⁾	1.78%	225,000	295,000
Total Carrying Value of Debt	N/A	\$1,628,928	\$1,556,472

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- (1) Interest rates for fixed rate debt are stated rates. Interest rates for variable rate debt are the interest rate charged as of the last payment in 2016.
- (2) We settled certain derivative instruments related to these notes and the settlement amount of these derivative instruments are amortized to interest expense over the life of the assigned notes.
- (3) Excludes deferred loan costs for line-of-credit arrangements, net of amortization, of approximately \$2.2 million and \$3.1 million as of December 31, 2016 and 2015, respectively.
- (4) Weighted average interest rates are based upon outstanding balances as of December 31, 2016.

Debt Issuance, Payoffs and Refinancing

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

During June 2015, we paid-off our \$40.0 million senior unsecured note maturing in June 2015, using proceeds from the Company's senior unsecured revolving credit facility and dispositions.

During October 2015, we paid-off a \$50.9 million mortgage note at par maturing February 2016 using proceeds from the Company's senior unsecured revolving credit facility.

During December 2015, we entered into a \$200.0 million variable rate senior unsecured term loan which matures on December 10, 2022 and bears interest at a variable rate equal to 1 month USD LIBOR, plus a margin, depending on our public debt credit rating, of between 1.45% to 2.40% per annum or, at our election, an alternate base rate plus a margin of between 0.45% to 1.40% per annum. We primarily used the proceeds to paydown the senior unsecured revolving credit facility and for general corporate purposes. On December 11, 2015, we entered into a pay-fixed, receive-floating interest rate swap which effectively fixes the interest rate on the term loan at 3.31% through maturity, however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. In the event that USD LIBOR was negative, the Company would make payments to the hedge counterparty equal to the spread between USD LIBOR and zero.

During August 2016, we issued \$250.0 million of fixed rate senior unsecured notes in a private placement offering. The notes have an average term of 10 years, a weighted average interest rate of 3.90% and require semi-annual interest payments. We primarily used the proceeds to paydown our senior unsecured revolving credit facility, payoff a \$49.0 million senior unsecured note at maturity and for the early payoff of a \$75.0 million portion of our \$100.0 million senior unsecured term loan maturing in April 2017.

Debt Assumptions

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

Line of Credit

As of December 31, 2016, we had \$75.0 million outstanding and \$323.1 million available under our \$400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling \$1.9 million. As of December 31, 2015, we had \$70.0 million outstanding and \$326.5 million available under our senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million.

Guarantee of Debt

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

Interest Expense and Capitalized Interest

During the years ended December 31, 2016, 2015 and 2014, we incurred interest expense of approximately \$73.9 million, \$69.9 million and \$72.3 million, respectively. We capitalized approximately \$9.9 million, \$15.8 million and \$9.1 million of interest in 2016, 2015 and 2014, respectively, associated with certain development, redevelopment and other construction activities.

Debt Maturities

The following table presents the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, discounts and deferred loan costs as of December 31, 2016 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Bank Unsecured Credit Facilities	Total
2017	\$51,000	\$ 41,079	\$ 25,000	(1) \$ 117,079
2018	81,500	6,747	—	88,247
2019	46,000	51,344	75,000	172,344
2020	50,000	71,933	125,000	(1) 246,933
2021	92,500	18,436	—	110,936
Thereafter	690,000	10,671	200,000	(1) 900,671
Total	\$ 1,011,000	\$ 200,210	\$ 425,000	\$ 1,636,210

(1) The term loan facilities are presented in "Senior unsecured notes" in our Consolidated Balance Sheets.

Note 7 – Commitments and Contingencies

Legal Matters

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.

Operating Leases

The following table presents our contractual obligations as of December 31, 2016, specifically our obligations under operating lease agreements and ground lease agreements (in thousands):

Year Ended December 31,	Operating Ground	
	Leases	Leases
2017	\$ 731	\$ 565
2018	1,116	564
2019	1,054	558
2020	1,026	551
2021	765	551
Thereafter	1,598	8,580
Total	\$ 6,290	\$ 11,369

Substantially all of the office space and equipment subject to the operating leases are for the use at our corporate, regional and market offices. Rent expense recognized was approximately \$1.2 million, \$1.1 million and \$1.1 million during the years ended December 31, 2016, 2015 and 2014, respectively.

Note 8 – Noncontrolling Interests

DCT

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests of DCT primarily represent limited partnership interests in the Operating Partnership and equity interests held by third party partners in consolidated real estate investments, including related parties as discussed in "Note 12 – Related Party Transactions." Our noncontrolling interests held by third-party partners in our consolidated joint ventures totaled \$13.1 million and \$12.7 million as of December 31, 2016 and 2015, respectively.

The following table presents the noncontrolling interests' share of consolidated net income (in thousands):

	For the Year Ended		
	December 31,		
	2016	2015	2014
Noncontrolling interests' share of income from continuing operations	\$(4,976)	\$(8,917)	\$(2,801)
Noncontrolling interests' share of income from discontinued operations	—	—	(283)
Net income attributable to noncontrolling interests	\$(4,976)	\$(8,917)	\$(3,084)

Operating Partnership

Equity interests in the Operating Partnership held by third parties and LTIP Units, as defined in "Note 9 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership," are classified as permanent equity of the Operating Partnership and as noncontrolling interests of DCT in the Consolidated Balance Sheets.

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

Note 9 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership

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

DCT

Common Stock

As of December 31, 2016 and 2015, approximately 91.5 million and 88.3 million shares of common stock were issued and outstanding, respectively.

On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013. During the year ended December 31, 2016, we issued approximately 2.5 million shares of common stock through the continuous equity offering program, at a weighted average price of \$43.98 per share for proceeds of approximately \$107.0 million, net of offering expenses. The proceeds from the sale of shares of common stock were contributed to the Operating Partnership for an equal number of OP units in the Operating Partnership and were used for general corporate purposes, including funding developments and redevelopments and repaying debt. As of December 31, 2016, approximately 2.5 million shares of common stock remain available to be issued under the current offering.

During the year ended December 31, 2014, approximately 4.1 million shares were issued through our previous 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 used for general corporate purposes, including funding acquisitions and repaying debt. As of December 31, 2016 and 2015, no shares were available to be issued under this offering program.

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. The proceeds were used for acquisitions, development activities, repayment of debt and other general purposes.

During the years ended December 31, 2016, 2015 and 2014, we issued approximately 0.1 million, 0.1 million and 0.1 million, respectively, shares of common stock related to vested shares of restricted stock, phantom shares and stock option exercises.

The holders of shares of our common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our articles of incorporation, as amended, do not provide for cumulative voting in the election of our directors. Therefore, the holders of the majority of the outstanding shares of common stock can elect the entire board of directors. Subject to any preferential rights of any outstanding series of our preferred stock and to the distribution of specified amounts upon liquidation with respect to shares-in-trust, the holders of our common stock are entitled to such distributions as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to stockholders. All shares issued in our public offerings are fully paid and non-assessable shares of common stock. Holders of our

common stock will not have preemptive rights.

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Operating Partnership

OP Units

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

As of December 31, 2016 and 2015, DCT owned approximately 96.3% and 95.6%, respectively, of the outstanding equity interests in the Operating Partnership. The remaining common partnership interests in the Operating Partnership were owned by executives of the Company and non-affiliated limited partners.

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 years ended December 31, 2016, 2015 and 2014, approximately 0.7 million, 0.3 million and 0.4 million OP Units were redeemed for approximately \$5.2 million, \$4.1 million and \$1.0 million in cash and approximately 0.6 million, 0.2 million and 0.3 million shares of DCT common stock, respectively. The OP Unit redemptions exclude LTIP Unit redemptions, see "LTIP Units" within "Note 11 – Equity Based Compensation" for further details.

As of December 31, 2016, 2015 and 2014, there were approximately 3.5 million, 4.0 million and 4.2 million outstanding OP Units in each corresponding period held by entities other than DCT and redeemable, with an aggregate redemption value of approximately \$168.9 million, \$150.9 million and \$149.8 million based on the \$47.88, \$37.37 and \$35.66 per share closing price of DCT's common stock on December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, 2015 and 2014, included in OP Units were approximately 0.7 million, 0.6 million and 0.4 million vested LTIP Units issued under our Long-Term Incentive Plan, respectively.

Allocations of Net Income and Net Losses to Partners

The Operating Partnership's net income and loss will generally be allocated to the general partner and the limited partners in accordance with the respective percentage interests in the OP Units issued by the Operating Partnership.

Dividend Reinvestment and Stock Purchase Plan

We offer shares of common stock through the Dividend Reinvestment and Stock Purchase Plan (the "Plan"). The Plan permits stockholders to acquire additional shares with quarterly dividends and to make additional cash investments to buy shares directly. Shares of common stock may be purchased in the open market, through privately negotiated transactions, or directly from us as newly issued shares of common stock. All shares issued under the Plan were either acquired in the open market or newly issued.

Preferred Shares

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of 50,000,000 preferred shares of any class or series. The rights and terms of such preferred shares will be determined by our board of directors. However, the voting rights of preferred stockholders shall never exceed the voting rights of common stockholders. As of December 31, 2016 and 2015, we had no outstanding shares of preferred stock.

Shares-in-Trust

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of 100,000,000 shares-in-trust which are shares that are automatically exchanged for common or preferred shares as a result of an event that would cause an investor to own, beneficially or constructively, a number of shares in excess of certain limitations. As of December 31, 2016 and 2015, we had no outstanding shares-in-trust.

Distributions

Our distributions are calculated based upon the total number of shares of our common stock and OP Units outstanding on the distribution record date as declared by our board of directors. We accrue and pay distributions on a quarterly basis. The following table presents the distributions that have been paid and/or declared to date by our board of directors:

Amount Declared During Quarter Ended in 2016:	Per Share	Date Paid
December 31,	\$ 0.31	January 5, 2017
September 30,	0.29	October 19, 2016
June 30,	0.29	July 13, 2016
March 31,	0.29	April 13, 2016
Total 2016	\$ 1.18	

Amount Declared During Quarter Ended in 2015:		Date Paid
December 31,	\$ 0.29	January 7, 2016
September 30,	0.28	October 14, 2015
June 30,	0.28	July 15, 2015
March 31,	0.28	April 15, 2015
Total 2015	\$ 1.13	

Amount Declared During Quarter Ended in 2014:		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	

Note 10 – Net Earnings per Share/Unit

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

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

DCT

The following table presents the computation of basic and diluted net earnings per common share (in thousands, except per share amounts):

	For the Year Ended December 31,		
	2016	2015	2014
Net Earnings per Common Share – Basic and Diluted			
Numerator			
Income from continuing operations	\$98,036	\$102,965	\$46,531
Income from continuing operations attributable to noncontrolling interests	(4,976)	(8,917)	(2,801)
Income from continuing operations attributable to common stockholders	93,060	94,048	43,730
Less: Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)
Numerator for adjusted income from continuing operations attributable to common stockholders	92,391	93,370	43,053
Income from discontinued operations	—	—	5,717
Noncontrolling interests' share of income from discontinued operations	—	—	(283)
Numerator for income from discontinued operations attributable to common stockholders	—	—	5,434
Adjusted net income attributable to common stockholders	\$92,391	\$93,370	\$48,487
Denominator			
Weighted average common shares outstanding – basic	89,867	88,182	83,280
Effect of dilutive securities:			
Stock options and phantom stock	115	332	292
Weighted average common shares outstanding – diluted	89,982	88,514	83,572
Net Earnings per Common Share – Basic:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to common stockholders	\$1.03	\$1.06	\$0.58
Net Earnings per Common Share – Diluted:			
Income from continuing operations	\$1.03	\$1.05	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to common stockholders	\$1.03	\$1.05	\$0.58

Operating Partnership

The following table presents the computation of basic and net diluted earnings per common unit (in thousands, except per unit amounts):

	For the Year Ended December 31,		
	2016	2015	2014
Net Earnings per OP Unit – Basic and Diluted:			
Numerator			
Income from continuing operations	\$98,036	\$102,965	\$46,531
Income from continuing operations attributable to noncontrolling interests	(924)	(4,409)	(526)
Income from continuing operations attributable to OP Unitholders	97,112	98,556	46,005
Less: Distributed and undistributed earnings allocated to participating securities	(669)	(678)	(677)
Numerator for adjusted income from continuing operations attributable to OP Unitholders	96,443	97,878	45,328
Income from discontinued operations	—	—	5,717
Noncontrolling interests' share of income from discontinued operations	—	—	—
Numerator for income from discontinued operations attributable to OP Unitholders	—	—	5,717
Adjusted net income attributable to OP Unitholders	\$96,443	\$97,878	\$51,045
Denominator			
Weighted average OP Units outstanding – basic	93,779	92,409	87,611
Effect of dilutive securities:			
Stock options and phantom stock	115	332	292
Weighted average OP Units outstanding – diluted	93,894	92,741	87,903
Net Earnings per OP Unit – Basic:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to OP Unitholders	\$1.03	\$1.06	\$0.58
Net Earnings per OP Units – Diluted:			
Income from continuing operations	\$1.03	\$1.06	\$0.52
Income from discontinued operations	0.00	0.00	0.06
Net income attributable to OP Unitholders	\$1.03	\$1.06	\$0.58

DCT and the Operating Partnership

Potentially Dilutive Shares

For the years ended December 31, 2016, 2015 and 2014, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 3.9 million, 4.2 million and 4.3 million OP Units, respectively, because their effect would be anti-dilutive.

Note 11 – Equity Based Compensation

Long-Term Incentive Plan

On October 10, 2006, the Company established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors, as defined in the plan. Subject to adjustment upon certain corporate transactions or events, the total number of shares of our common stock subject to such awards may not exceed 5.8 million shares and in no event may any optionee receive options for more than 0.5 million shares on an annual basis.

Phantom Shares

Pursuant to the Long-Term Incentive Plan, as amended, the Company may grant phantom shares to non-employee directors. Phantom shares generally vest upon the first anniversary of the grant date, depending on the grant. Once vested and at the discretion of the grantee, the phantom stock can be converted into either cash or common stock at the option of the Company. Phantom shares are recorded at their fair value on the date of grant and are amortized on a straight-line basis over the service period during which term the shares fully vest.

Restricted Stock

Restricted stock is recorded at fair value on the date of grant and amortized on a straight-line basis over the service period during which the stock vests. Restricted stock generally vests ratably over a period of four to five years, depending on the grant.

LTIP Units

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

During the year ended December 31, 2016, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of \$6.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 23% and a weighted average risk-free interest rate of 1.28%.

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

Additionally, in December 2015, we entered into a resignation agreement and consulting agreement with a senior executive. We recognized \$3.6 million of expense for the year ended December 31, 2015 in "General and administrative" expense in our Consolidated Statement of Operations related to the following equity grants.

Approximately 61,000 LTIP Units were granted, of which approximately 35,000 LTIP Units vested immediately and 26,000 LTIP Units vest over a one year period. The fair value of the awards was \$2.1 million as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23% and a weighted average risk-free rate of 1.76%. Additionally, vesting was accelerated on approximately 38,000 of unvested LTIP Units and approximately 6,000 LTIP Units were accelerated to vest within one year resulting in an additional \$1.5 million of expense for the year ended December 31, 2015.

During the year ended December 31, 2014, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a period of four to five years with a total fair value \$4.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 40% and a weighted average risk-free interest rates of 1.47%.

The following table summarizes the number of awards redeemed and converted to DCT's common stock on a one for one basis, the fair value at vesting date for the awards vested during the period and the number of awards outstanding at period end related to phantom shares, restricted stock and LTIP Units:

	Phantom Shares	Restricted Stock	LTIP Units ⁽¹⁾
During the year ended December 31, 2016:			
Common stock issued for vested units (in thousands)	4	38	111
Fair value of units vested (in millions)	\$ 0.6	\$ 1.7	\$ 10.7
Units outstanding at end of period (in thousands)	85	109	1,168
During the year ended December 31, 2015:			
Common stock issued for vested units (in thousands)	4	58	60
Fair value of units vested (in millions)	\$ 0.5	\$ 2.1	\$ 6.3
Units outstanding at end of period (in thousands)	75	107	1,097
During the year ended December 31, 2014:			
Common stock issued for vested units (in thousands)	4	48	8
Fair value of units vested (in millions)	\$ 0.4	\$ 1.4	\$ 4.9
Units outstanding at end of period (in thousands)	65	164	896

⁽¹⁾ During the years ended December 31, 2016 and 2015, approximately 13,000 and 8,000 LTIP Units were redeemed for approximately \$0.5 million and \$0.3 million in cash, respectively.

The following table summarizes additional information concerning our unvested phantom shares, restricted stock and LTIP Units (shares in thousands):

	Phantom Shares		Restricted Stock		LTIP Units	
	Weighted Average Share Grant	Weighted Average Fair Value	Weighted Average Share Grant	Weighted Average Fair Value	Weighted Average Share Grant	Weighted Average Fair Value
Unvested at December 31, 2013	14	\$ 30.68	138	\$ 25.20	443	\$ 24.16
Granted	16	31.28	83	29.84	154	27.69
Vested	(14)	30.68	(48)	23.93	(140)	23.16
Forfeited	—	—	(9)	27.80	—	—
Unvested at December 31, 2014	16	\$ 31.28	164	\$ 27.77	457	\$ 25.66
Granted	15	33.70	28	37.68	315	35.17
Vested	(16)	31.28	(58)	26.57	(178)	24.56
Forfeited	—	—	(28)	30.21	(47)	30.57
Unvested at December 31, 2015	15	\$ 33.70	106	\$ 30.33	547	\$ 27.13
Granted	14	41.43	54	36.25	194	32.71
Vested	(15)	33.70	(45)	28.50	(281)	30.84
Forfeited	—	—	(6)	34.14	—	—
Unvested at December 31, 2016	14	\$ 41.43	109	\$ 33.80	460	\$ 32.42

Stock Options

The Company may grant stock options to certain employees pursuant to our Long-Term Incentive Plan, as amended. The term of such options is 10 years from the date of grant unless forfeited earlier and the period during which the right to exercise such options fully vests ranges from four to five years from the date of grant. No stock options were granted under our Long-Term Incentive Plan, as amended, prior to 2007. During the year ended December 31, 2016, we issued approximately 23,000 shares of common stock upon the exercise of options to purchase DCT's common stock by certain employees. There were no options granted during the years ended December 31, 2016, 2015 and 2014.

Independent Director Option Plan

Prior to October 6, 2006, we granted stock options under the Independent Director Option Plan, which we used in an effort to attract and retain qualified independent directors. No options were issued under this plan subsequent to 2006.

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Stock Options Summary Table

Stock options granted under the Long-Term Incentive Plan, as amended, and the Independent Director Option Plan are amortized on a straight-line basis over the service period during which the right to exercise such options fully vests. The following table presents total options outstanding, granted, exercised, and expired or forfeited, as well as the total options exercisable as of December 31, 2016 (number of options and intrinsic value in thousands):

	Independent Director Option Plan	Long-Term Incentive Plan	Weighted Average Option Price Per Share	Fair Value of Options Granted During the Year	Weighted Average Contractual Life (Years)	Remaining Average Life (Years)	Intrinsic Value
Issued and outstanding as of December 31, 2013	11	646	\$ 27.48				
Granted	—	—	—	\$ —			
Exercised	—	(192)	16.82				\$ 3,154
Forfeited and/or expired	(2)	(3)	38.75				
Issued and outstanding as of December 31, 2014	9	451	\$ 31.78				
Granted	—	—	—	\$ —			
Exercised	—	(116)	24.26				\$ 1,391
Forfeited and/or expired	(5)	(9)	32.42				
Issued and outstanding as of December 31, 2015	4	326	\$ 34.40				
Granted	—	—	—	\$ —			
Exercised	(3)	(159)	36.67				\$ 1,545
Forfeited and/or expired	(1)	(1)	44.69				
Issued and outstanding as of December 31, 2016	0	166	\$ 32.09		1.5		\$ 2,619
Exercisable as of December 31, 2016	0	166	\$ 32.09		1.5		\$ 2,619

Equity Compensation Expense

The following table summarizes the amount recorded in “General and administrative” expense in our Consolidated Statement of Operations for the amortization of phantom shares, restricted stock, LTIP Units and stock options (in millions):

	For the Year Ended December 31,		
	2016	2015	2014
Phantom shares	\$0.5	\$0.5	\$0.5
Restricted stock	1.4	1.3	1.5
LTIP Units	5.2	8.8	3.9
Stock options	—	—	0.1
Total Equity Compensation Expense	7.1	10.6	6.0
Less: Amount capitalized due to development and leasing activities	(1.4)	(1.6)	(1.2)
Net equity compensation	\$5.7	\$9.0	\$4.8

The following table summarizes the remaining unrecognized expense and remaining period over which we expect to amortize the expense as of December 31, 2016 related to phantom shares, restricted stock, LTIP Units and stock options (dollars in millions):

	Unrecognized Expense as of December 31, 2016	Remaining Period to Recognize Expense
Phantom shares	\$ 0.2	6 months
Restricted stock	\$ 2.6	2.6 years
LTIP Units	\$ 9.0	2.4 years
Stock options	\$ 0.0	N/A

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Note 12 – Related Party Transactions

8th and Vineyard Consolidated Joint Venture

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

As of December 31, 2015, we completed the construction and disposition of five buildings and 0.8 acres of land in the joint venture to third-parties resulting in the disposition of all of the joint venture's assets. The joint venture has liquidated the partnership as of December 31, 2016. We received a preferred return on our capital contributions of approximately \$3.0 million and Iowa Investments, LLC received approximately \$3.8 million which was recorded as non-controlling interest in our Consolidated Statement of Operations.

Southern California Consolidated Ventures

We entered into four agreements with entities also controlled by our former president, two in December 2010 and two in January 2011, whereby we acquired a weighted average ownership interest, based on square feet, of approximately 48.4% in five bulk-industrial buildings located in the Southern California market. Entities controlled by a former executive have a weighted average ownership in these properties of approximately 43.7%, based on square feet, and the remaining 7.9% is held by a third-party. Each venture partner will earn returns in accordance with their ownership interests. We have controlling rights including management of the operations of the properties and we have consolidated the properties in accordance with GAAP. The total acquisition price of \$46.3 million was determined to be at fair value.

Note 13 – Income and Other Taxes

We operate and expect to continue to operate in a manner to meet all the requirements to qualify for REIT status. We have made our REIT election under Section 856 of the Code for the taxable year ended December 31, 2003 and have not revoked such election. In order for a former C corporation to elect to be a REIT, it must distribute 100% of its C corporation earnings and profits and agree to be subject to federal tax at the corporate level to the extent of any subsequently recognized built-in gains within a 10 year period. We did not have any built-in gains at the time of our conversion to REIT status. As a REIT, we generally will not be subject to federal income taxation at the corporate level to the extent we annually distribute 100% of our REIT taxable income, as defined under the Code, to our stockholders and satisfy other requirements. To continue to qualify as a REIT for federal tax purposes, we must distribute at least 90% of our REIT taxable income annually.

Summary of Current and Deferred Income Taxes

Components of the provision (benefit) for income taxes were as follows (in thousands):

	For the Year Ended		
	December 31,		
	2016	2015	2014
Income tax expense (benefit)			
Current:			
Federal	\$—	\$(62)	\$89
State	678	556	735
Foreign	—	—	105
Total current tax expense (benefit)	\$678	\$494	\$929
Deferred:			
Federal	\$(55)	127	\$(875)
State	(32)	115	(239)
Total deferred tax expense (benefit)	\$(87)	\$242	\$(1,114)
Total income tax expense (benefit)	\$591	\$736	\$(185)

Consolidated Statements of Operations classification

Continuing operations expense (benefit)	\$591	\$736	\$(217)
Discontinued operations expense	\$—	\$—	\$32

Foreign income taxes are accrued for foreign countries in which DCT operates in accordance with the applicable local laws and regulations, taking into account provisions of applicable double tax treaties. During the year ended December 31, 2014, we incurred \$105,000 of foreign income tax expense resulting from our operations in Mexico, which were disposed of during 2013. No foreign income tax (benefit) expense was incurred during the years ended December 31, 2016 and 2015.

Deferred Income Taxes

Deferred income taxes represent the tax effect of temporary differences between the book and tax basis of assets and liabilities. As of December 31, 2016, we had recorded a \$2.6 million deferred tax asset, net of valuation allowance of \$1.6 million, included in the Consolidated Balance Sheets in "Other assets, net", and a \$0.8 million deferred tax liability, included in the Consolidated Balance Sheets in "Other liabilities", for federal and state income taxes on our taxable REIT subsidiaries. For the year ended December 31, 2016, net deferred taxes increased by \$0.1 million. During the years ended December 31, 2016, 2015, and 2014 \$0.1 million of deferred income tax benefit, \$0.2 million of deferred income tax expense and \$1.1 million of deferred income tax benefit, respectively, is included in "Income tax benefit (expense) and other taxes" in our Consolidated Statements of Operations. During the years ended December 31, 2015 and 2014, \$0.6 million of income tax benefit and \$1.2 million of tax expense, respectively, is included in "Development profit, net of taxes" in our Consolidated Statements of Operations. As of December 31, 2015, we had recorded a \$2.6 million deferred tax asset, net of valuation allowance of \$1.7 million, and a \$0.8 million deferred tax liability for federal and state income taxes on our taxable REIT subsidiaries. Deferred tax assets (liabilities) were as follows (in thousands):

	As of December 31,	
	2016	2015
Deferred taxes:		
Depreciation and amortization	\$2,055	\$1,905
Section 163(j) interest limitations	1,390	1,390
Basis difference – investments in unconsolidated joint ventures	66	68
Net operating loss carryforwards	530	654
Other	175	234
Total deferred tax assets	\$4,216	\$4,251
Valuation allowance	(1,613)	(1,673)
Net deferred income tax assets	\$2,603	\$2,578
Basis difference – investment in properties	\$(509)	\$(509)
Basis difference – straight-line rent	(255)	(316)
Total deferred tax liabilities	\$(764)	\$(825)
Net deferred taxes	\$1,839	\$1,753

Note 14 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. The following segment disclosures exclude the results from discontinued operations (see "Note 15 – Discontinued Operations and Assets Held for Sale" for additional information).

The following table presents our total assets, net of accumulated depreciation and amortization, by segment (in thousands):

	December 31, 2016	December 31, 2015	December 31, 2014
Segments:			
East assets	\$ 1,077,749	\$ 1,034,869	\$ 1,010,263
Central assets	1,101,049	1,092,315	1,067,616
West assets	1,500,879	1,365,471	1,245,990
Total segment net assets	3,679,677	3,492,655	3,323,869
Non-segment assets:			
Non-segment cash and cash equivalents	8,383	15,860	16,653
Other non-segment assets ⁽¹⁾	120,082	123,840	105,199
Total assets	\$ 3,808,142	\$ 3,632,355	\$ 3,445,721

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

The following table presents the rental revenues of our segments in continuing operations and a reconciliation of our segment rental revenues to our reported consolidated total revenues (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
East	\$ 120,437	\$ 106,350	\$ 111,624
Central	128,964	130,791	128,567
West	141,959	115,950	94,596
Rental revenues	391,360	353,091	334,787
Institutional capital management and other fees	1,416	1,606	1,739
Total revenues	\$ 392,776	\$ 354,697	\$ 336,526

The following table presents property net operating income of our segments in continuing operations and a reconciliation of our property NOI to our reported “Income from continuing operations” (in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
East	\$93,811	\$80,231	\$81,955
Central	90,665	92,099	87,281
West	110,067	88,547	71,241
Property NOI ⁽¹⁾	294,543	260,877	240,477
Institutional capital management and other fees	1,416	1,606	1,739
Gain on business combination	—	—	1,000
Gain on dispositions of real estate interests	49,895	77,871	39,671
Real estate related depreciation and amortization	(161,334)	(156,010)	(148,992)
Casualty and involuntary conversion gain	2,753	414	328
Development profit, net of taxes	—	2,627	2,016
General and administrative	(29,280)	(34,577)	(29,079)
Impairment losses	—	(2,285)	(5,635)
Equity in earnings of unconsolidated joint ventures, net	4,118	7,273	6,462
Interest expense	(64,035)	(54,055)	(63,236)
Interest and other income (expense)	551	(40)	1,563
Income tax benefit (expense) and other taxes	(591)	(736)	217
Income from continuing operations	\$98,036	\$102,965	\$46,531

Property net operating income (“property NOI”) is defined as rental revenues, which includes 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. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties such as amortization, depreciation, impairment, interest expense, interest and other income, income tax expense and other taxes and general and administrative expenses. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

Note 15 – Discontinued Operations and Assets Held for Sale

Assets Held for Sale

As of December 31, 2015, four properties in our Central operating segment were classified as held for sale. In January 2016, we completed the sale of these properties.

Discontinued Operations

We report results of operations from real estate assets that meet the definition of a component of an entity, have been sold or meet the criteria to be classified as held for sale, for which the disposal or expected disposal represents a strategic shift in operations, as discontinued operations. Real estate assets that meet the definition of a component of an entity and were disposed of or held for sale prior to January 1, 2014 are reported as discontinued operations. As of December 31, 2013, we had one operating property in our Central operating segment classified as held for sale that was subsequently sold in May 2014 and reported as a discontinued operation for the year ended December 31, 2014.

The following is a summary of the components of income from discontinued operations (in thousands):

	For the Year	
	Ended	
	December 31,	
	2015	2014
Rental revenues	\$—	—\$429
Rental expenses and real estate taxes	—	(19)
General and administrative expense	—	(38)
Operating income	—	372
Interest and other expense	—	(19)
Income tax expense and other taxes	—	(32)
Operating income and other income	—	321
Impairment losses	—	(132)
Gain on dispositions of real estate interests	—	5,528
Income from discontinued operations	\$—	—\$5,717

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Note 16 – Quarterly Results (Unaudited)

DCT

The following tables present selected unaudited quarterly financial data for each quarter during the years ended December 31, 2016 and 2015 (in thousands except per share information):

	For the Quarter Ended				For the
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Year Ended December 31, 2016
Total revenues	\$94,370	\$95,902	\$100,274	\$102,230	\$392,776
Total operating expenses	\$70,982	\$71,461	\$69,072	\$73,163	\$284,678
Operating income	\$23,388	\$24,441	\$31,202	\$29,067	\$108,098
Income from continuing operations	\$38,346	\$22,572	\$16,389	\$20,729	\$98,036
Net income attributable to common stockholders	\$36,391	\$21,418	\$15,560	\$19,691	\$93,060
Earnings per common share – basic ⁽¹⁾					
Income from continuing operations	\$0.41	\$0.24	\$0.17	\$0.21	\$1.03
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to common stockholders	\$0.41	\$0.24	\$0.17	\$0.21	\$1.03
Earnings per common share – diluted ⁽¹⁾					
Income from continuing operations	\$0.41	\$0.24	\$0.17	\$0.21	\$1.03
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to common stockholders	\$0.41	\$0.24	\$0.17	\$0.21	\$1.03
Basic common shares outstanding	88,384	89,748	90,250	91,069	89,867
Diluted common shares outstanding	88,750	90,184	90,723	91,185	89,982

	For the Quarter Ended				For the
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Year Ended December 31, 2015
Total revenues	\$88,440	\$88,538	\$88,425	\$89,294	\$354,697
Total operating expenses	\$70,985	\$70,234	\$70,478	\$72,975	\$284,672
Operating income	\$17,455	\$18,304	\$17,947	\$16,319	\$70,025
Income from continuing operations	\$30,301	\$23,001	\$9,079	\$40,584	\$102,965
Net income attributable to common stockholders	\$28,745	\$18,297	\$8,457	\$38,549	\$94,048
Earnings per common share – basic ⁽¹⁾					
Income from continuing operations	\$0.32	\$0.21	\$0.09	\$0.44	\$1.06
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to common stockholders	\$0.32	\$0.21	\$0.09	\$0.44	\$1.06
Earnings per common share – diluted ⁽¹⁾					
Income from continuing operations	\$0.32	\$0.20	\$0.09	\$0.43	\$1.05
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to common stockholders	\$0.32	\$0.20	\$0.09	\$0.43	\$1.05
Basic common shares outstanding	88,090	88,187	88,207	88,241	88,182
Diluted common shares outstanding	88,419	88,486	88,526	88,614	88,514

(See footnote definition on next page)

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Operating Partnership

The following tables present selected unaudited quarterly financial data for each quarter during the years ended December 31, 2016 and 2015 (in thousands except per share information):

	For the Quarter Ended				For the
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Year Ended December 31, 2016
Total revenues	\$94,370	\$95,902	\$ 100,274	\$ 102,230	\$ 392,776
Total operating expenses	\$70,982	\$71,461	\$ 69,072	\$ 73,163	\$ 284,678
Operating income	\$23,388	\$24,441	\$ 31,202	\$ 29,067	\$ 108,098
Income from continuing operations	\$38,346	\$22,572	\$ 16,389	\$ 20,729	\$ 98,036
Net income attributable to OP Unitholders	\$38,135	\$22,360	\$ 16,174	\$ 20,443	\$ 97,112
Earnings per OP Unit – basic ⁽¹⁾					
Income from continuing operations	\$0.41	\$0.24	\$ 0.17	\$ 0.21	\$ 1.03
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to OP Unitholders	\$0.41	\$0.24	\$ 0.17	\$ 0.21	\$ 1.03
Earnings per OP Unit – diluted ⁽¹⁾					
Income from continuing operations	\$0.41	\$0.24	\$ 0.17	\$ 0.21	\$ 1.03
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to OP Unitholders	\$0.41	\$0.24	\$ 0.17	\$ 0.21	\$ 1.03
Basic OP Units outstanding	92,620	93,787	94,047	94,650	93,779
Diluted OP Units outstanding	92,986	94,223	94,520	94,766	93,894

	For the Quarter Ended				For the
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Year Ended December 31, 2015
Total revenues	\$88,440	\$88,538	\$ 88,425	\$ 89,294	\$ 354,697
Total operating expenses	\$70,985	\$70,234	\$ 70,478	\$ 72,975	\$ 284,672
Operating income	\$17,455	\$18,304	\$ 17,947	\$ 16,319	\$ 70,025
Income from continuing operations	\$30,301	\$23,001	\$ 9,079	\$ 40,584	\$ 102,965
Net income attributable to OP Unitholders	\$30,148	\$19,177	\$ 8,853	\$ 40,378	\$ 98,556
Earnings per OP Unit – basic ⁽¹⁾					
Income from continuing operations	\$0.32	\$0.21	\$ 0.09	\$ 0.44	\$ 1.06
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to OP Unitholders	\$0.32	\$0.21	\$ 0.09	\$ 0.44	\$ 1.06
Earnings per OP Unit – diluted ⁽¹⁾					
Income from continuing operations	\$0.32	\$0.20	\$ 0.09	\$ 0.43	\$ 1.06
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00
Net income attributable to OP Unitholders	\$0.32	\$0.20	\$ 0.09	\$ 0.43	\$ 1.06
Basic OP Units outstanding	92,389	92,443	92,424	92,377	92,409
Diluted OP Units outstanding	92,718	92,742	92,743	92,750	92,741

Quarterly amounts for earnings per common share and OP unit may not total to annual amounts due to rounding

⁽¹⁾ and changes in the number of weighted common shares and OP units outstanding included in the calculation of diluted common shares and OP units.

Note 17 – Subsequent Events

GAAP requires an entity to disclose events that occur after the balance sheet date but before financial statements are issued or are available to be issued (“subsequent events”) as well as the date through which an entity has evaluated subsequent events. There are two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, (“recognized subsequent events”). The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date (“nonrecognized subsequent events”). No significant recognized or nonrecognized subsequent events were noted.

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Initial Cost to Company ⁽⁴⁾			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at 12/31/2016			Accumulated Depreciation	Acquisition Date ⁽⁶⁾	Year Built	
		Land ⁽¹⁾	Building Improvements ⁽⁵⁾	Total Costs ⁽¹⁾		Land	Building & Improvements ⁽³⁾⁽⁶⁾	Total Costs ⁽³⁾⁽⁶⁾				
Newpoint I	1	\$—	\$2,143	\$12,908	\$15,051	\$(186) ⁽²⁾	\$2,088	\$12,777	\$14,865	\$(4,927)	03/31/04	1997
Southcreek	4	5,328	443	45,385	53,228	6,670	8,342	51,556	59,898	(19,594)	6/8/2004-2/13/2009	1999-
Breckinridge Industrial	2	—	1,950	10,159	12,109	(715) ⁽²⁾	1,950	9,444	11,394	(3,613)	10/01/04	2000
Cobb Industrial	2	—	1,120	5,249	6,369	646	1,120	5,895	7,015	(1,919)	10/01/04	1996
Atlanta NE Portfolio	1	4,123	1,977	9,647	10,844	682	1,197	10,329	11,526	(3,556)	11/05/04	1987
Northmont Parkway	5	6,885	1,556	22,726	27,282	1,595	4,556	24,321	28,877	(8,985)	12/03/04	2003
Penney Road	1	—	401	4,145	4,546	258	401	4,403	4,804	(1,712)	07/21/05	2001
Southfield Parkway	1	1,572	323	3,808	4,331	322	523	4,130	4,653	(1,533)	07/21/05	1994
Livingston Court	1	—	342	2,523	2,865	579	342	3,102	3,444	(1,745)	07/21/05	1985
Peterson Place	2	—	321	4,144	4,465	9	321	4,153	4,474	(1,753)	07/21/05	1984
Buford Development	1	2,073	737	7,151	8,521	1,805	1,370	8,956	10,326	(2,905)	03/31/06	2006
Evergreen Boulevard	2	8,337	1,223	14,265	17,388	3,041	3,123	17,306	20,429	(5,934)	06/09/06	1999
Pleasantdale	1	—	790	1,503	2,293	337	819	1,811	2,630	(557)	07/11/11	1995
Evergreen Drive	1	—	1,580	7,359	8,939	2,305	1,555	9,689	11,244	(2,093)	04/10/12	2001
Johnson Road	2	—	1,372	4,707	6,079	307	1,372	5,014	6,386	(1,404)	03/28/13	2007
Southfield	1	—	954	3,153	4,107	195	954	3,348	4,302	(928)	05/10/13	1997
Battle Drive	1	—	4,950	13,990	18,940	95	4,950	14,085	19,035	(2,655)	10/03/13	1999
Cobb International Blvd	1	—	1,790	6,403	8,193	461	1,790	6,864	8,654	(848)	10/21/14	1990
Henry D Robinson Blvd	1	—	2,877	12,807	15,684	1,480	2,877	14,287	17,164	(1,062)	01/15/15	2005
Northbrook Parkway	1	2,096	906	4,994	5,950	703	956	5,697	6,653	(550)	02/26/15	1989
Shiloh	1	—	413	4,188	4,601	189	413	4,377	4,790	(461)	05/21/15	1996
River West	1	—	2,939	29,821	32,760	4,927	2,939	34,748	37,687	(2,058)	11/08/12	2015
Shugart Farms	1	—	8,413	42,783	51,196	—	8,413	42,783	51,196	(1,938)	04/17/15	2016
TOTAL												
ATLANTA MARKET	35	31,514	923	273,818	325,741	25,705	52,371	299,075	351,446	(72,730)		
Delta Portfolio	4	2,700	110	22,549	27,659	3,702	5,047	26,314	31,361	(9,240)	04/12/05	1986-
Charwood Road	1	4,429	60	10,261	12,221	440	1,960	10,701	12,661	(3,976)	07/21/05	1986

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Greenwood Place	2	4,496	12,918	15,484	1,476	2,566	14,394	16,960	(5,589)	07/21/05	1978-	
Guilford Road	1	—	1,879	6,650	8,529	1,767	1,879	8,417	10,296	(3,744)	06/09/06	1989
Bollman Place	1	—	1,654	6,202	7,856	748	1,654	6,950	8,604	(2,500)	06/09/06	1986
Dulles	6	—	11,125	34,066	45,191	2,521	11,125	36,587	47,712	(9,830)	08/04/06	2007-
Beckley	1	—	3,002	10,700	13,702	1,504	3,002	12,204	15,206	(3,810)	09/10/10	1992
Dorsey Rd	1	8,200	8,863	12,470	737	3,607	9,600	13,207	(1,045)	12/18/14	1988	
Dulles Downs	2	—	12,328	37,773	50,101	—	12,328	37,773	50,101	(1,492)	06/04/15	2016
TOTAL												
BALTIMORE/												
	19	19,473	73,231	149,982	193,213	12,895	43,168	162,940	206,108	(41,226)		
WASHINGTON												
D.C. MARKET												
Marine Drive	1	—	2,764	17,419	20,183	329	2,764	17,748	20,512	(2,882)	05/10/13	1994
TOTAL												
CHARLOTTE												
MARKET												
Gary Ave	1	—	3,191	18,505	21,696	2,830	3,191	21,335	24,526	(7,722)	01/05/05	2001
East Fabyan	1	—	1,790	10,929	12,719	1,011	1,790	11,940	13,730	(6,488)	07/21/05	1975
Parkway	1	—	1,647	5,849	7,496	294	1,647	6,143	7,790	(3,558)	07/21/05	1995
Frontenac Road	1	7,823	8,336	18,794	23,630	2,817	4,836	21,611	26,447	(11,898)	07/21/05	1982
South Wolf Road	1											

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Initial Cost to Company ⁽⁴⁾				Gross Amount Carried at 12/31/2016		Building & Improvements ⁽¹⁾	Total Costs ⁽³⁾⁽⁶⁾	Accumulated Depreciation ⁽⁵⁾	Acquisition Date ⁽⁶⁾	Year Began
		Encumbrances ⁽⁵⁾	Land ⁽⁵⁾	Building & Improvements ⁽⁵⁾	Total Costs ⁽¹⁾	Costs Capitalized Subsequent to Acquisition	Land					
Laramie Avenue	1	3,393	1,442	7,985	9,427	1,198	1,412	9,213	10,625	(4,874)	07/21/05	1
Stern Avenue	1	—	505	4,947	5,452	(1,787) ⁽²⁾	505	3,160	3,665	(2,295)	07/21/05	1
Mitchell Court	1	6,404	5,036	8,578	13,614	797	5,036	9,375	14,411	(5,044)	05/01/07	1
Veterans Parkway	1	—	2,108	7,121	9,229	(1,168) ⁽²⁾	2,108	5,953	8,061	(1,445)	10/20/05	2
Lunt Avenue	1	—	1,620	1,988	3,608	491	1,620	2,479	4,099	(1,107)	03/17/06	2
Wolf Rd	1	—	1,908	2,392	4,300	70	1,930	2,440	4,370	(1,149)	11/22/10	1
S Lombard Rd	1	—	1,216	2,136	3,352	2,125	1,216	4,261	5,477	(1,336)	04/15/11	2
Center Avenue	1	—	4,128	9,896	14,024	3,916	4,128	13,812	17,940	(3,728)	04/19/12	2
Greenleaf	1	—	625	952	1,577	4,077	701	4,953	5,654	(1,189)	10/19/12	1
Supreme Drive	1	—	1,973	5,828	7,801	497	1,973	6,325	8,298	(1,787)	11/15/12	1
White Oak	1	—	3,114	5,136	8,250	651	3,114	5,787	8,901	(1,218)	12/10/12	1
Della Court	1	—	1,278	3,613	4,891	3	1,278	3,616	4,894	(864)	12/27/12	2
Joliet Road	1	—	5,382	12,902	18,284	1,775	5,382	14,677	20,059	(2,761)	12/27/12	2
Veterans	1	—	2,009	7,933	9,942	1,085	2,009	9,018	11,027	(1,205)	05/10/13	2
Fox River Business Center	5	—	10,354	32,728	43,082	5,480	10,454	38,108	48,562	(5,977)	10/09/13	1
Morse Avenue	1	—	2,400	1,119	3,519	209	2,400	1,328	3,728	(1,141)	10/31/13	1
Michael Dr	1	—	2,715	6,985	9,700	—	2,715	6,985	9,700	(1,464)	01/03/14	1
S Chicago St	1	—	1,565	6,185	7,750	772	1,565	6,957	8,522	(773)	03/14/14	2
Diehl Rd	1	—	4,593	16,268	20,861	92	4,593	16,360	20,953	(3,357)	03/28/14	2
Remington Blvd	3	5,912	18,154	71,589	89,743	836	18,154	72,425	90,579	(11,634)	3/16/2012-8/1/2014	2
Mark Street	1	—	5,701	5,681	11,382	2,529	5,701	8,210	13,911	(828)	08/25/14	1
2413 Prospect	1	—	4,214	12,596	16,810	3,899	4,222	16,487	20,709	(846)	12/30/14	1
538-550 Taylor Road	1	—	620	3,303	3,923	—	620	3,303	3,923	(38)	10/18/16	2
410-420 Fullerton	1	—	3,248	5,155	8,403	—	3,248	5,155	8,403	—	12/16/16	2
2200 Arthur Ave	1	—	4,035	10,085	14,120	29	4,035	10,114	14,149	(283)	09/02/14	2
191 North Avenue	1	—	8,554	19,370	27,924	—	8,554	19,370	27,924	(402)	03/10/15	2
TOTAL CHICAGO MARKET	36	23,533	109,961	326,548	436,509	34,528	110,137	360,900	471,037	(86,411)		
Park West	5	—	6,103	39,943	46,046	(969) ⁽²⁾	5,981	39,096	45,077	(14,848)	06/08/04	1
	1	—	299	4,486	4,785	(1,998) ⁽²⁾	299	2,488	2,787	(1,121)	05/03/04	1

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Northwest Business Center New Buffington Road	2	4,859	1,618	8,500	10,118	5,098	1,618	13,598	15,216	(6,696)	07/21/05	1
Olympic Boulevard	3	—	2,096	11,788	13,884	2,506	2,096	14,294	16,390	(6,690)	07/21/05	1
Mineola Pike Industrial Road	1	—	625	4,642	5,267	295	625	4,937	5,562	(2,031)	07/21/05	1
Best Place Distribution Circle	2	—	629	3,344	3,973	1,639	628	4,984	5,612	(2,267)	07/21/05	1
Best Place Distribution Circle	1	—	1,131	5,516	6,647	1,586	1,131	7,102	8,233	(2,930)	07/21/05	1
Dolwick Drive	1	—	688	6,838	7,526	1,714	688	8,552	9,240	(3,637)	07/21/05	1
Creek Road	1	—	579	4,670	5,249	935	579	5,605	6,184	(2,311)	07/21/05	1
Power Line Drive	1	—	377	4,925	5,302	696	377	5,621	5,998	(3,150)	06/09/06	1
Foundation Drive	1	—	70	261	331	6	70	267	337	(87)	06/09/06	1
Jamilke Drive	4	—	706	3,471	4,177	559	706	4,030	4,736	(1,726)	06/09/06	1
Symmes Rd	6	—	1,206	8,887	10,093	1,447	1,206	10,334	11,540	(4,521)	06/09/06	1
TOTAL CINCINNATI MARKET	1	—	2,578	8,659	11,237	476	2,578	9,135	11,713	(108)	09/21/16	1
	30	4,859	18,705	115,930	134,635	13,990	18,582	130,043	148,625	(52,123)		

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Encumbrances ⁽¹⁾	Initial Cost to Company ⁽⁴⁾			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at 12/31/2016			Accumulated Depreciation ⁽³⁾⁽⁶⁾	Acquisition Date ⁽⁵⁾	Year Built
			Land	Building & Improvements ⁽²⁾	Total Costs ⁽¹⁾		Land	Building & Improvements ⁽²⁾	Total Costs ⁽³⁾⁽⁶⁾			
Freeport Parkway	1	—	981	10,392	11,373	(404) ⁽²⁾	981	9,988	10,969	(3,624)	12/15/03	1999
Pinnacle Market	1	—	521	9,683	10,204	(422) ⁽²⁾	521	9,261	9,782	(3,209)	12/15/03	2001
Industrial Avenue R	5	—	1,481	15,507	16,988	444	1,481	15,951	17,432	(5,654)	10/01/04	1981-
Industrial I	1	—	189	2,231	2,420	202	189	2,433	2,622	(994)	10/01/04	1980
Industrial II	1	—	271	1,139	1,410	149	271	1,288	1,559	(525)	10/01/04	1980
Westfork Center	3	—	503	5,977	6,480	645	503	6,622	7,125	(2,433)	10/01/04	1980
Industrial Grand River Rd	1	—	1,380	14,504	15,884	(1,766) ⁽²⁾	1,380	12,738	14,118	(4,485)	12/03/04	2004
Diplomat Drive	1	—	532	3,136	3,668	2,195	532	5,331	5,863	(2,819)	05/26/05	1986
North 28th Street	1	—	—	6,145	6,145	370	—	6,515	6,515	(3,214)	07/21/05	2000
Esters Boulevard	1	—	—	22,072	22,072	(1,198) ⁽²⁾	—	20,874	20,874	(8,699)	07/21/05	1984-
West Story Drive	1	—	777	4,646	5,423	721	777	5,367	6,144	(2,566)	07/21/05	1997
Meridian Drive	1	1,158	410	4,135	4,545	2,873	410	7,008	7,418	(2,492)	07/21/05	1975
Gateway Drive	1	—	463	2,152	2,615	799	463	2,951	3,414	(1,409)	07/21/05	1988
Valwood Parkway	1	—	1,252	6,779	8,031	1,217	1,252	7,996	9,248	(3,528)	07/21/05	1984-
Champion Drive	1	1,328	672	2,598	3,270	1,203	672	3,801	4,473	(1,749)	07/21/05	1984
Sanden Drive	1	—	207	2,258	2,465	443	207	2,701	2,908	(1,295)	07/21/05	1994
North Great Southwest Parkway	2	2,197	1,384	3,727	5,111	2,028	1,904	5,235	7,139	(2,257)	07/21/05	1963-
Royal Lane	1	—	—	3,200	3,200	494	—	3,694	3,694	(1,982)	07/21/05	1986
GSW Gateway	1	—	1,669	11,622	13,291	92	1,669	11,714	13,383	(6,501)	01/13/06	2001

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Three Pinnacle Point Drive	1	7,415	3,915	18,537	22,452	4,443	3,915	22,980	26,895	(5,329)	06/29/12	2006	
Ashmore Lane	1	—	3,856	16,352	20,208	1,820	3,856	18,172	22,028	(3,947)	12/27/12	2004	
La Reunion Statesman Drive	1	—	1,469	6,778	8,247	742	1,469	7,520	8,989	(1,675)	04/09/13	1983	
Diplomacy Eisenhower	1	—	878	3,057	3,935	149	878	3,206	4,084	(508)	12/20/13	1985	
511 S Royal Ln	1	—	1,105	5,684	6,789	413	1,105	6,097	7,202	(1,194)	12/30/13	2006	
Airline Dr	1	—	1,095	4,239	5,334	67	1,095	4,306	5,401	(995)	01/31/14	2003	
Trend Dr	1	—	1,091	2,573	3,664	336	1,091	2,909	4,000	(347)	12/31/14	1991	
Freeport North	1	—	393	2,481	2,874	49	393	2,530	2,923	(378)	08/27/15	1974	
Frankford 8B LLC	1	—	1,083	7,194	8,277	72	1,083	7,266	8,349	(534)	01/31/14	2015	
9010 Sterling St 2965	1	—	998	5,589	6,587	(12) ⁽²⁾	998	5,577	6,575	(514)	05/27/14	2015	
Commodore Drive	1	—	699	1,241	1,940	2,993	711	4,222	4,933	(220)	12/08/14	1982	
Freeport West	1	—	908	6,335	7,243	7	908	6,342	7,250	(112)	09/30/16	2010	
TOTAL DALLAS MARKET	40	12,098	32,141	222,848	254,989	21,191	32,673	243,507	276,180	(75,924)			
Interpark 70 Pecos Street	1	—	1,383	7,566	8,949	(1,014) ⁽²⁾	1,383	6,552	7,935	(2,462)	09/30/04	1998	
Airport Distribution Center	5	—	1,860	4,821	6,681	405	1,860	5,226	7,086	(1,417)	08/08/11	2003	
Champion Building	1	—	17,439	6,637	40,827	47,464	2,062	6,637	42,889	49,526	(4,958)	03/03/15	1997-
TOTAL DENVER MARKET	8	17,439	12,538	66,156	78,694	1,456	12,538	67,612	80,150	(8,996)			
West By Northwest	1	—	1,033	7,564	8,597	119	1,033	7,683	8,716	(2,571)	10/30/03	1997	

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Initial Cost to Company ⁽⁴⁾				Gross Amount Carried at 12/31/2016					Accumulated Depreciation ⁽⁶⁾	Acquisition Date ⁽⁵⁾	Year Began
		Encumbrances ⁽¹⁾	Land ⁽²⁾	Building & Improvements ⁽³⁾	Total Costs ⁽¹⁾	Costs Capitalized Subsequent to Acquisition	Land	Building & Improvements ⁽¹⁾	Total Costs ⁽³⁾⁽⁶⁾				
Greens Crossing	3	—	1,225	10,202	11,427	1,890	1,225	12,092	13,317	(4,453)	07/01/05	1	
Gateway at Central Green	2	3,237	1,079	9,929	11,008	1,670	1,079	11,599	12,678	(4,377)	09/20/05	2	
Fairbanks Center	1	—	707	5,205	5,912	706	707	5,911	6,618	(2,251)	03/27/06	1	
Northwest Place	1	—	1,821	11,406	13,227	2,205	1,821	13,611	15,432	(5,057)	06/14/07	1	
Warehouse Center Drive	1	3,608	1,296	6,782	8,078	12	1,296	6,794	8,090	(3,233)	12/03/07	2	
Air Center Drive	1	—	763	1,876	2,639	122	711	2,050	2,761	(700)	11/09/10	1	
Beltway Antoine	7	—	7,058	31,875	38,933	1,015	7,058	32,890	39,948	(10,659)	08/11/11	2	
Proterra	1	—	2,573	8,289	10,862	2,852	2,573	11,141	13,714	(2,865)	08/31/12	2	
Greens Parkway	1	—	704	4,093	4,797	(64) ⁽²⁾	704	4,029	4,733	(924)	12/07/11	2	
Claymoore Business Center	2	—	1,491	4,967	6,458	1,272	1,491	6,239	7,730	(1,886)	05/09/12	2	
Pinemont	1	2,367	1,448	6,969	8,417	1,589	1,448	8,558	10,006	(2,933)	06/29/12	2	
State Highway 225	2	5,451	4,062	10,657	14,719	1,206	4,062	11,863	15,925	(3,739)	12/13/12	1	
Aeropark	1	—	1,723	7,065	8,788	(96) ⁽²⁾	1,723	6,969	8,692	(1,358)	12/06/13	1	
Hollister Rd	1	6,075	3,193	18,136	21,329	2,895	3,688	20,536	24,224	(3,282)	06/05/14	1	
Sam Houston Pkwy West	3	—	8,474	11,303	19,777	7,412	8,474	18,715	27,189	(1,367)	10/14/14	2	
Airtex Industrial Center	1	3,709	2,597	12,171	14,768	2	2,597	12,173	14,770	(1,760)	12/20/11	2	
Deer Park	1	—	1,723	8,927	10,650	1,971	1,723	10,898	12,621	(986)	05/29/15	2	
Kennedy Dr	1	—	1,887	12,107	13,994	10	1,887	12,117	14,004	(755)	11/17/15	2	
Airtex Industrial Center II	1	—	1,181	10,015	11,196	587	1,181	10,602	11,783	(1,114)	05/16/13	2	
Northwest Crossroads LLC	1	—	3,201	17,706	20,907	272	3,201	17,978	21,179	(1,960)	06/05/13	2	
Bennington	1	—	1,091	4,167	5,258	1,576	1,091	5,743	6,834	(584)	08/04/14	1	
Beltway Tanner Business Park	1	—	3,360	16,292	19,652	387	3,360	16,679	20,039	(3,794)	12/21/12	2	
Northwest Crossroads II	1	—	2,809	20,502	23,311	—	2,809	20,502	23,311	(649)	07/29/13	2	
TOTAL HOUSTON MARKET	37	24,447	56,499	258,205	314,704	29,610	56,942	287,372	344,314	(63,257)			
Plainfield	2	—	3,095	31,369	34,464	2,471	3,095	33,840	36,935	(11,749)	4/13/2003-4/13/2006	1	
TOTAL INDIANAPOLIS	2	—	3,095	31,369	34,464	2,471	3,095	33,840	36,935	(11,749)			

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MARKET											
Riverport	1	—	1,279	8,812	10,091	(856) ⁽²⁾	1,279	7,956	9,235	(2,957)	05/03/04
TOTAL											
LOUISVILLE	1	—	1,279	8,812	10,091	(856)	1,279	7,956	9,235	(2,957)	
MARKET											
Memphis Portfolio	1	—	2,091	16,312	18,403	3,563	2,091	19,875	21,966	(6,519)	03/07/05
Deltapoint	1	—	2,299	24,436	26,735	7,546	2,299	31,982	34,281	(9,830)	06/29/07
TOTAL											
MEMPHIS	2	—	4,390	40,748	45,138	11,109	4,390	51,857	56,247	(16,349)	
MARKET											
Miami Service Center	1	—	1,110	3,811	4,921	1,101	1,110	4,912	6,022	(1,945)	04/07/05
Miami Commerce Center	1	1,200	3,050	10,769	13,819	3,904	3,050	14,673	17,723	(5,934)	04/13/05
Northwest 70th Avenue	2	—	10,025	16,936	26,961	6,013	10,025	22,949	32,974	(14,006)	06/09/06
Northwest 72nd Avenue	1	—	1,819	3,142	4,961	1,154	1,819	4,296	6,115	(496)	12/19/14
North Andrews Avenue	1	—	6,552	6,101	12,653	1,136	6,552	7,237	13,789	(3,234)	06/09/06
Northwest 30th Terrace	1	—	3,273	4,196	7,469	1,365	3,273	5,561	8,834	(1,874)	02/18/11
Pan America	2	—	6,386	19,497	25,883	733	6,396	20,220	26,616	(4,658)	07/19/11
Northwest 34th Street	1	—	946	3,239	4,185	321	946	3,560	4,506	(851)	06/25/12
Miami Gardens	1	—	4,480	7,362	11,842	1,531	4,480	8,893	13,373	(1,781)	10/22/13
3500 SW 20th St	1	—	2,597	3,910	6,507	897	2,596	4,808	7,404	(145)	11/16/15
TOTAL MIAMI	12	1,200	40,238	78,963	119,201	18,155	40,247	97,109	137,356	(34,924)	
MARKET											

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Encumbrances ⁽⁵⁾	Initial Cost to Company ⁽⁴⁾			Gross Amount Carried at 12/31/2016					Acquisition Date ⁽⁶⁾
			Land	Building & Improvements ⁽⁵⁾	Total Costs ⁽¹⁾	Costs Capitalized Subsequent to Acquisition	Land	Building & Improvements ⁽³⁾	Total Costs ⁽³⁾	Accumulated Depreciation ⁽⁶⁾	
Eastgate Mid South	1	—	1,445	13,352	14,797	(508) ⁽²⁾	1,445	12,844	14,289	(5,468)	03/19/04
Logistics Center	1	—	1,772	18,288	20,060	317	1,850	18,527	20,377	(6,996)	06/29/04
Rockdale Distribution Center	1	—	2,940	12,188	15,128	6,841	2,940	19,029	21,969	(5,626)	12/28/05
Logistics Way	1	—	621	17,763	18,384	(1,006) ⁽²⁾	621	16,757	17,378	(4,781)	09/28/09
TOTAL NASHVILLE MARKET	4	—	6,778	61,591	68,369	5,644	6,856	67,157	74,013	(22,871)	
Brunswick Avenue	1	—	3,665	16,380	20,045	2,577	3,665	18,957	22,622	(6,932)	07/21/05
Campus Drive	1	—	1,366	4,841	6,207	977	1,366	5,818	7,184	(2,944)	07/21/05
Hanover Ave	1	—	4,940	8,026	12,966	(233) ⁽²⁾	4,940	7,793	12,733	(2,580)	12/28/05
Kennedy Drive	1	—	3,044	6,583	9,627	565	3,044	7,148	10,192	(2,614)	04/14/10
Railroad Avenue	1	—	6,494	10,996	17,490	1,837	6,455	12,872	19,327	(4,727)	01/28/11
Pierce Street	1	—	2,472	4,255	6,727	1,443	2,472	5,698	8,170	(1,233)	12/27/12
Seaview	1	—	5,910	10,423	16,333	2,346	5,910	12,769	18,679	(2,464)	12/20/13
New Durham Rd	1	—	1,962	2,361	4,323	1,147	1,970	3,500	5,470	(349)	10/08/14
TOTAL NEW JERSEY MARKET	8	—	29,853	63,865	93,718	10,659	29,822	74,555	104,377	(23,843)	
Bayside Distribution Center	2	—	6,875	15,254	22,129	472	6,875	15,726	22,601	(5,681)	11/03/04
Fite Court California	1	—	5,316	15,499	20,815	1,868	5,316	17,367	22,683	(6,660)	12/28/06
Logistics Centre	1	—	5,672	20,499	26,171	(2,055) ⁽²⁾	5,672	18,444	24,116	(6,671)	04/21/06
Cherry Street	3	—	12,584	24,582	37,166	3,372	12,584	27,954	40,538	(12,069)	06/09/06
Pike Lane	3	—	2,880	8,328	11,208	(8) ⁽²⁾	2,880	8,320	11,200	(3,287)	06/09/06
South Vasco Road	1	—	2,572	14,809	17,381	(143) ⁽²⁾	2,572	14,666	17,238	(5,298)	06/09/06
McLaughlin Avenue	1	—	3,424	5,507	8,931	536	3,424	6,043	9,467	(3,059)	06/09/06

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Park Lane	5	—	10,977	17,216	28,193	827	10,977	18,043	29,020	(9,686)	06/09/06
Valley Drive	4	—	11,238	14,244	25,482	4,793	11,238	19,037	30,275	(8,943)	06/09/06
Old Country Road	1	—	1,557	1,503	3,060	555	1,557	2,058	3,615	(1,122)	06/09/06
Cypress Lane	1	—	2,211	2,196	4,407	667	2,211	2,863	5,074	(1,756)	06/09/06
Rollins Road	1	17,451	17,800	17,621	35,421	342	17,659	18,104	35,763	(5,151)	11/04/11
Coliseum Way	1	—	10,229	18,255	28,484	1,614	10,229	19,869	30,098	(3,702)	12/11/12
Alpine Way	1	—	2,321	2,504	4,825	545	2,321	3,049	5,370	(557)	06/25/13
Chrisman Rd	1	—	2,507	48,130	50,637	13	2,507	48,143	50,650	(5,373)	09/02/14
Hathaway	2	—	13,899	16,491	30,390	15,193	13,988	31,595	45,583	(1,204)	03/12/15
1400 Business Center Drive	1	—	9,645	5,411	15,056	1	9,645	5,412	15,057	(58)	10/07/16
TOTAL NORTHERN	30	17,451	121,707	248,049	369,756	28,592	121,655	276,693	398,348	(80,277)	
CALIFORNIA MARKET											
Cypress Park East	2	—	2,627	13,055	15,682	1,548	2,627	14,603	17,230	(5,283)	10/22/04
East Landstreet Road	3	—	2,251	11,979	14,230	1,220	2,251	13,199	15,450	(5,124)	06/09/06
Boggy Creek Road	8	—	8,098	30,984	39,082	2,750	8,098	33,734	41,832	(12,403)	06/09/06
ADC North Phase I	2	—	2,475	11,941	14,416	2,147	2,475	14,088	16,563	(4,424)	12/19/2006-1

SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Encumbrances	Initial Cost to Company ⁽⁴⁾			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at 12/31/2016			Accumulated Depreciation ⁽⁶⁾	Acquisition Date ⁽⁶⁾
			Land ⁽⁵⁾	Building Improvements ⁽⁵⁾	Total Costs ⁽¹⁾		Land	Building & Improvements ⁽³⁾⁽⁶⁾	Total Costs ⁽¹⁾		
American Way	1	—	3,603	8,667	12,270	1,822	3,603	10,489	14,092	(3,162)	08/16/07
Director's Row	1	—	524	2,519	3,043	405	524	2,924	3,448	(936)	03/01/11
GE Portfolio	3	—	4,715	12,513	17,228	1,444	4,715	13,957	18,672	(4,315)	09/01/11
ADC North Phase II	1	—	674	5,309	5,983	37	674	5,346	6,020	(394)	12/19/06
TOTAL											
ORLANDO MARKET	21	—	24,967	96,967	121,934	11,373	24,967	108,340	133,307	(36,041)	
Route 22	1	—	5,183	20,100	25,283	(3,772) ⁽²⁾	5,183	16,328	21,511	(6,105)	07/20/05
High Street Portfolio	2	—	3,084	4,741	7,825	1,381	3,084	6,122	9,206	(2,922)	10/26/05
Independence Avenue	1	—	3,133	17,542	20,675	3,528	3,133	21,070	24,203	(6,563)	12/26/06
Bobali Drive	3	—	4,107	9,288	13,395	859	4,107	10,147	14,254	(3,797)	02/09/07
Snowdrift	1	—	972	3,770	4,742	786	972	4,556	5,528	(1,315)	12/27/12
Commerce Circle	1	—	6,449	20,873	27,322	1,622	6,449	22,495	28,944	(4,891)	05/10/13
Bethlehem Crossing	3	—	10,855	35,912	46,767	803	10,855	36,715	47,570	(6,312)	06/28/13
Chrin Commerce Center	1	—	6,253	18,386	24,639	(49) ⁽²⁾	6,253	18,337	24,590	(1,364)	09/05/14
TOTAL											
PENNSYLVANIA MARKET	13	—	40,036	130,612	170,648	5,158	40,036	135,770	175,806	(33,269)	
North Industrial	2	—	4,566	15,899	20,465	2,187	4,566	18,086	22,652	(6,777)	10/01/04
South Industrial I	2	—	2,876	14,120	16,996	(419) ⁽²⁾	2,829	13,748	16,577	(4,862)	10/01/04
South Industrial II	1	—	1,235	4,902	6,137	(1,119) ⁽²⁾	1,235	3,783	5,018	(1,324)	10/01/04
West Southern Industrial	1	—	555	3,376	3,931	131	555	3,507	4,062	(1,215)	10/01/04
West Geneva Industrial	3	—	413	2,667	3,080	181	413	2,848	3,261	(1,067)	10/01/04
West 24th Industrial	2	—	870	4,575	5,445	383	870	4,958	5,828	(2,358)	10/01/04
Sky Harbor Transit Center	1	—	2,534	7,597	10,131	(921) ⁽²⁾	2,534	6,676	9,210	(2,473)	11/24/04
Roosevelt Distribution Center	1	—	1,154	6,441	7,595	25	1,154	6,466	7,620	(1,992)	05/19/06
North 45th Street	1	—	3,149	5,051	8,200	92	3,149	5,143	8,292	(2,100)	06/30/11
	3	—	4,725	17,708	22,433	387	4,725	18,095	22,820	(4,542)	08/22/13

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Broadway											
Industrial Portfolio											
South 5th Street	1	—	1,787	7,456	9,243	—	1,787	7,456	9,243	(1,441)	04/14/14
3405-3445 South 5th Street	5	—	5,007	22,196	27,203	1,527	5,007	23,723	28,730	(4,614)	10/17/14
Van Buren	1	—	839	961	1,800	1,995	839	2,956	3,795	(612)	01/11/12
West Geneva Dr	1	—	762	2,868	3,630	291	762	3,159	3,921	(342)	06/01/15
TOTAL PHOENIX MARKET	25	—	30,472	115,817	146,289	4,740	30,425	120,604	151,029	(35,719)	
Industry Drive North	2	8,062	5,753	16,039	21,792	1,002	5,753	17,041	22,794	(5,605)	07/21/05
South 228th Street	1	—	3,025	13,694	16,719	1,444	3,025	15,138	18,163	(5,209)	07/21/05
64th Avenue South	1	5,288	3,345	9,335	12,680	800	3,345	10,135	13,480	(3,806)	07/21/05
South 192nd Street	1	—	1,286	3,433	4,719	154	1,286	3,587	4,873	(1,419)	07/21/05
South 212th Street	1	—	3,095	10,253	13,348	802	3,095	11,055	14,150	(3,919)	08/01/05
Southwest 27th Street	1	6,452	4,583	8,353	12,936	(2,504) ⁽²⁾	4,583	5,849	10,432	(2,515)	07/21/05
13610 52nd St	1	—	4,018	9,571	13,589	149	4,018	9,720	13,738	(2,668)	12/01/10
Southwest 27th Street-Alpak	1	—	4,313	4,687	9,000	129	4,313	4,816	9,129	(1,478)	10/14/11
Milwaukee Avenue	1	—	2,287	7,213	9,500	345	2,278	7,567	9,845	(2,190)	08/31/12
Sumner II	1	—	672	1,178	1,850	681	672	1,859	2,531	(330)	10/15/12
East Park Bldg 5	1	—	980	2,061	3,041	556	980	2,617	3,597	(541)	08/30/13

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Encumbrances	Initial Cost to Company ⁽⁴⁾			Costs Capitalized Subsequent to Acquisition	Gross Amount Carried at 12/31/2016			Accumulated Depreciation	Acquisition Date ⁽⁵⁾
			Land	Building & Improvements ⁽²⁾	Total Costs ⁽¹⁾		Land	Building & Improvements ⁽²⁾	Total Costs ⁽³⁾⁽⁶⁾		
228th Street	1	—	1,383	2,213	3,596	837	1,383	3,050	4,433	(712)	02/13/14
45th St Court	1	—	1,196	3,304	4,500	(31) ⁽²⁾	1,196	3,273	4,469	(476)	03/27/14
Puyallup Industrial Park	4	3,470	10,332	21,423	31,755	3,558	10,332	24,981	35,313	(3,798)	5/30/2014-9/30/2014
Auburn 44	1	—	997	3,913	4,910	—	997	3,913	4,910	(536)	08/16/13
Seaway	2	—	3,624	13,981	17,605	117	3,624	14,098	17,722	(1,663)	12/23/14
McKillican	1	—	1,150	3,902	5,052	335	1,150	4,237	5,387	(348)	08/25/15
White River Corporate Center Phase I	1	—	8,639	35,295	43,934	1,740	8,639	37,035	45,674	(2,130)	10/23/12
Sumner South Distribution Center	1	—	2,891	10,727	13,618	914	2,891	11,641	14,532	(1,238)	12/28/12
White River Corporate Center Phase II	1	—	816	4,421	5,237	—	816	4,421	5,237	(359)	10/23/12
Fife 45 South	1	—	860	4,779	5,639	49	860	4,828	5,688	(435)	03/27/14
Fife 45 North	1	—	1,117	6,735	7,852	—	1,117	6,735	7,852	(446)	03/27/14
Fife Distribution Center	1	—	2,593	10,494	13,087	—	2,593	10,494	13,087	(502)	05/22/14
North Fife Distribution Center	1	—	3,413	15,301	18,714	—	3,413	15,301	18,714	(589)	05/22/14
TOTAL SEATTLE MARKET	29	23,272	72,368	222,305	294,673	11,077	72,359	233,391	305,750	(42,912)	
Rancho Technology	1	—	2,790	7,048	9,838	(342) ⁽²⁾	2,790	6,706	9,496	(2,409)	10/16/03

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Park Foothill Business Center	3	—	13,315	9,112	22,427	1,804	13,315	10,916	24,231	(3,624)	12/09/04
East Slauson Avenue	3	8,686	5,499	14,775	20,274	5,196	5,499	19,971	25,470	(9,986)	07/21/05
Airport Circle	1	—	3,098	8,368	11,466	1,468	3,098	9,836	12,934	(3,520)	07/21/05
Cota Street	1	—	2,802	7,624	10,426	198	2,802	7,822	10,624	(3,069)	07/21/05
Twin Oaks Valley Road	2	—	1,815	7,855	9,670	264	1,815	8,119	9,934	(2,698)	07/21/05
Meyer Canyon	1	—	5,314	9,929	15,243	2,016	5,609	11,650	17,259	(3,757)	06/30/06
Mira Loma	1	—	7,919	6,668	14,587	303	7,919	6,971	14,890	(2,032)	12/23/08
Sycamore Canyon	2	—	6,356	36,088	42,444	1,654	6,356	37,742	44,098	(12,194)	09/09/09
Colombard Ct	1	1,869	1,264	3,237	4,501	(439) ⁽²⁾	1,264	2,798	4,062	(1,375)	07/29/10
E Airport Drive	1	—	905	2,744	3,649	(205) ⁽²⁾	905	2,539	3,444	(951)	12/23/10
Truck Courts	3	—	26,392	17,267	43,659	145	26,392	17,412	43,804	(5,084)	12/29/10
Haven A	1	5,572	5,783	19,578	25,361	(2,089) ⁽²⁾	5,783	17,489	23,272	(3,812)	12/31/10
Haven G	1	898	479	1,131	1,610	(188) ⁽²⁾	479	943	1,422	(207)	12/31/10
6th and Rochester	1	2,326	3,088	6,120	9,208	(777) ⁽²⁾	3,088	5,343	8,431	(1,600)	01/04/11
Palmyrita Central Avenue	2	5,729	3,355	8,665	12,020	(708) ⁽²⁾	3,355	7,957	11,312	(1,901)	01/11/11
Byron Road	1	—	3,898	4,642	8,540	1,616	3,898	6,258	10,156	(1,825)	01/27/11
Slover	2	—	2,042	2,715	4,757	1,488	2,042	4,203	6,245	(1,245)	04/15/11
White Birch	1	—	28,025	45,505	73,530	21	28,024	45,527	73,551	(5,923)	7/28/2011-9/17/2012
Pomona Blvd	4	—	5,081	6,177	11,258	1,258	5,081	7,435	12,516	(2,204)	07/03/12
Air Freight Portfolio	3	—	6,524	9,630	16,154	2,601	6,524	12,231	18,755	(3,143)	10/31/12
Sampson Painter	1	—	29,978	48,469	78,447	3,745	29,926	52,266	82,192	(8,591)	11/15/12
4th Street	1	—	4,848	6,277	11,125	(170) ⁽²⁾	4,848	6,107	10,955	(1,145)	03/20/13
	1	—	4,065	5,086	9,151	(87) ⁽²⁾	4,065	4,999	9,064	(1,139)	03/20/13
	1	—	3,349	6,790	10,139	8	3,348	6,799	10,147	(1,648)	10/15/13

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Initial Cost to Company ⁽⁴⁾				Gross Amount Carried at 12/31/2016					
		Encumbrances ⁽⁵⁾	Land ⁽⁵⁾	Building & Improvements ⁽⁵⁾	Total Costs ⁽¹⁾	Costs Capitalized Subsequent to Acquisition	Land and Improvements ⁽¹⁾	Building & Improvements ⁽¹⁾	Total Costs ⁽³⁾⁽⁶⁾	Accumulated Depreciation ⁽²⁾	
Arthur	1	—	4,043	6,063	10,106	1,359	4,043	7,422	11,465	(1,719)	1
Rutherford Rd	1	—	5,097	8,653	13,750	837	5,097	9,490	14,587	(1,257)	0
E. Victoria St	1	—	6,010	6,360	12,370	97	6,009	6,458	12,467	(887)	1
Desoto Place	1	—	2,255	4,339	6,594	123	2,255	4,462	6,717	(1,015)	0
Rialto Logistics Center	1	—	19,231	41,504	60,735	272	19,231	41,776	61,007	(2,221)	1
Mt Vernon Business Park	2	—	8,046	17,710	25,756	—	8,046	17,710	25,756	(306)	0
Jurupa Ranch	1	—	24,375	42,229	66,604	—	24,375	42,229	66,604	(972)	0
TOTAL SOUTHERN CALIFORNIA MARKET SUB TOTAL CONSOLIDATED OPERATING PROPERTIES	48	25,080	247,041	428,358	675,399	21,468	247,281	449,586	696,867	(93,459)	
2201 Arthur Avenue	1	—	3,231	1,469	4,700	4,142	3,203	5,639	8,842	(261)	1
5555 8th Street East	1	—	2,753	7,076	9,829	1,249	2,686	8,392	11,078	(243)	1
10810 Painter Avenue	1	—	4,464	5,326	9,790	44	4,464	5,370	9,834	(1,207)	3
Properties under redevelopment	3	—	10,448	13,871	24,319	5,435	10,353	19,401	29,754	(1,711)	
DCT North Satellite Distribution Center	1	—	5,205	—	5,205	18,869	5,221	18,853	24,074	—	
DCT Waters Ridge	1	—	1,784	—	1,784	16,717	1,792	16,709	18,501	(143)	
DCT Airport Distribution Center Building D	1	—	611	—	611	5,168	919	4,860	5,779	—	
DCT White River Corporate Center North	1	—	3,810	—	3,810	14,113	3,810	14,113	17,923	—	
DCT Central Avenue	0	—	19,339	2,959	22,298	10,767	22,675	10,390	33,065	—	

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DCT Stockyards Industrial Center	0	—	1,773	—	1,773	9,385	2,845	8,313	11,158	—
DCT Greenwood	0	—	1,900	—	1,900	89	1,900	89	1,989	—
DCT Miller Road	0	—	2,234	—	2,234	1,123	2,250	1,107	3,357	—
DCT DFW Trade Center	0	—	1,510	—	1,510	661	1,510	661	2,171	—
DCT Commerce Center Building C	0	—	4,088	—	4,088	7,849	4,089	7,848	11,937	—
DCT Commerce Center Building E	0	—	4,583	—	4,583	2,177	4,584	2,176	6,760	—
Seneca Commerce Center Building I	0	—	1,421	—	1,421	2,456	2,611	1,266	3,877	—
DCT Arbor Avenue	0	—	3,268	—	3,268	17,522	3,404	17,386	20,790	—
Properties under development	4	—	51,526	2,959	54,485	106,896	57,610	103,771	161,381	(143)
DCT Terrapin Commerce Center Buildings I	0	—	3,787	—	3,787	224	3,794	217	4,011	—
DCT Terrapin Commerce Center Buildings II	0	—	2,810	—	2,810	149	2,818	141	2,959	—
DCT Summit Distribution Center	0	—	2,115	—	2,115	339	2,102	352	2,454	—
DCT Commerce Center Building D	0	—	3,969	—	3,969	1,168	3,971	1,166	5,137	—
Seneca Commerce Center Building II	0	—	1,222	—	1,222	776	1,382	616	1,998	—
Seneca Commerce Center Building III	0	—	1,137	—	1,137	740	1,287	590	1,877	—
Seneca Commerce Center Building IV	0	—	3,004	—	3,004	6	3,005	5	3,010	—
DCT Airport Distribution Center Building E	0	—	921	—	921	542	918	545	1,463	—
DCT Airport Distribution Center Building F	0	—	993	—	993	412	991	414	1,405	—

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SCHEDULE III – REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2016

(dollar amounts in thousands)

Property	Number of Buildings	Initial Cost to Company ⁽⁴⁾				Gross Amount Carried at 12/31/2016			
		Encumbrances ⁽⁵⁾	Land ⁽⁵⁾	Building & Improvements ⁽⁵⁾	Total Costs ⁽⁵⁾	Costs Capitalized Subsequent to Acquisition	Land	Building & Improvements ⁽⁶⁾	Total Costs ⁽³⁾⁽⁶⁾
Blair Logistics Center Bldg A	0	—	14,288	—	14,288	109	14,289	108	14,397
Blair Logistics Center Bldg B	0	—	11,256	—	11,256	79	11,256	79	11,335
Blair Logistics Storage Yard	0	—	2,940	—	2,940	12	2,940	12	2,952
Stonefield Industrial Park - Land	0	—	4,959	—	4,959	6	4,959	6	4,965
DCT Jurupa Ranch Land	0	—	2,733	—	2,733	—	2,733	—	2,733
Properties in pre-development including land held	0	—	56,134	—	56,134	4,562	56,445	4,251	60,696
GRAND TOTAL CONSOLIDATED	408	\$200,210	\$1,068,094	\$2,975,192	\$4,043,286	\$386,187	\$1,075,995	\$3,353,478	\$4,429,473

(1) Included in Building & Improvements are intangible lease assets and construction in progress.

Generally these reductions in basis include one or more of the following: i) payments received from seller under master lease agreements and pursuant to GAAP, rental and expense recovery payments under master lease agreements are reflected as a reduction of the basis of the underlying property rather than revenues; ii) write-offs of fixed asset balances due to early lease terminations by contracted customers; iii) write-offs of fully amortized lease related intangible assets and improvements; iv) write-offs of fully amortized tenant leasing costs; and v) other miscellaneous basis adjustments.

(2) As of December 31, 2016, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$4.1 billion.

(3) For properties developed by DCT, development costs capitalized prior to substantial completion of the properties are included in Initial Costs to Company.

(4) Reconciliation of total debt to consolidated balance sheet caption as of December 31, 2016:

Total per Schedule III	\$200,210
Deferred loan costs, net of amortization	(309)
Premiums, net of amortization	2,058
Total mortgage notes	\$201,959

(5) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 2016 is as follows:

Investments in properties:	
Balance at beginning of year, including held for sale	\$4,176,895

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Acquisition of properties	132,998
Improvements, including development properties	269,559
Divestiture of properties	(118,528)
Improvements, intangibles, tenant leasing cost write-offs	(33,477)
Other adjustments	2,026
Balance at end of year	\$4,429,473
Accumulated depreciation and amortization:	
Balance at beginning of year, including held for sale	\$(753,609)
Depreciation and amortization expense	(161,925)
Divestiture of properties	42,132
Improvements, intangibles, tenant leasing cost write-offs	33,477
Other adjustments	152
Balance at end of year	\$(839,773)

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EXHIBIT INDEX

Exhibit Description

- 2.1 Contribution Agreement by and among Dividend Capital Trust Inc., Dividend Capital Operating Partnership LP and Dividend Capital Advisors Group LLC, dated as of July 21, 2006 (incorporated by reference to Exhibit 2.1 to Form 8-K filed on July 27, 2006)
- 3.1 DCT Industrial Trust Inc. Third Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to Form 8-K filed on December 19, 2006)
- 3.2 DCT Industrial Trust Inc. Articles of Amendment (incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 5, 2012)
- 3.3 DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K filed on December 19, 2006)
- 3.4 First Amendment to DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on February 9, 2011)
- 3.5 Second Amendment to DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on October 27, 2011)
- 3.6 Third Amendment to DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on May 1, 2013)
- 3.7 Fourth Amendment to DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to Form 8-K filed on May 4, 2016)
- 3.8 Articles Supplementary of DCT Industrial Trust Inc. filed with the State Department of Assessments and Taxation of Maryland on May 5, 2014 (incorporated by reference to Exhibit 3.1 to Form 8-K filed on May 5, 2014)
- 3.9 DCT Industrial Trust Inc. Articles of Amendment (incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 17, 2014)
- 3.10 DCT Industrial Trust Inc. Articles of Amendment (incorporated by reference to Exhibit 3.2 to Form 8-K filed on November 17, 2014)
- 4.1 Indenture, dated as of October 9, 2013, among DCT Industrial Trust Inc., DCT Industrial Operating Partnership LP, the Subsidiary Guarantors and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed on October 15, 2013)
- 4.2 Form of 4.500% Senior Notes due 2023 (incorporated by reference to Exhibit 4.2 to Form 8-K filed on October 15, 2013)
- 4.3 Registration Rights Agreement, dated as of October 9, 2013, among DCT Industrial Trust Inc., DCT Operation Partnership LP, the Subsidiary Guarantors, and J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives of the several initial purchasers (incorporated by reference to Exhibit 4.3 to Form 8-K filed on October 15, 2013)

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- 10.1 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 9, 2007)
- 10.2 Amended and Restated Limited Partnership Agreement of DCT Industrial Operating Partnership LP, dated October 10, 2006 (incorporated by reference to Exhibit 10.5 to Form 8-K filed on October 13, 2006)
- 10.3 Third Amendment to the Amended and Restated Limited Partnership Agreement of DCT Industrial Operating Partnership LP, dated May 3, 2007 (incorporated by reference to Exhibit 99.2 to Form S-3ASR Registration Statement, Commission File No. 333-145253)
- 10.4 Fourth Amendment to the Amended and Restated Limited Partnership Agreement of DCT Industrial Operating Partnership LP, dated December 1, 2008 (incorporated by reference to Exhibit 10.4 to Form 10-K filed on March 2, 2009)
- 10.5 Fifth Amendment to the Amended and Restated Limited Partnership Agreement of DCT Industrial Operating Partnership LP, dated May 6, 2010 (incorporated by reference to Exhibit 10.2 to Form 10-Q filed on August 5, 2010)
- 10.6 Second Amended and Restated DCT Industrial Trust Inc. 2006 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Form S-8 filed on May 10, 2010)

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- +10.7 First Amendment to the Second Amended and Restated DCT Industrial Trust Inc. 2006 Long-Term Incentive Plan
- 10.8 DCT Industrial Trust Inc. 2006 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Form 8-K filed on October 13, 2006)
- 10.9 Amended and Restated Credit and Term Loan Agreement, dated as of February 20, 2013, among DCT Industrial Operating Partnership LP and the lenders identified therein and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, National Association and PNC Bank, National Association, as Syndication Agents, Citibank, N.A., JPMorgan Chase Bank, N.A., Regions Bank and U.S. Bank National Association, as Documentation Agents and Capital One, N.A. and Union Bank, N.A., as Managing Agents. (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 3, 2013)
- 10.10 Second Amended and Restated Credit and Term Loan Agreement, dated as of April 8, 2015, among DCT Industrial Operating Partnership LP and the lenders identified therein and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, National Association and PNC Bank, National Association, as Syndication Agents, Capital One National Association, Citibank, N.A., JPMorgan Chase Bank, N.A., Regions Bank and U.S. Bank National Association, as Documentation Agents and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LC and PNC Capital Markets LLC, as Joint Lead Arrangers and Joint Bookrunners. (incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 13, 2015)
- 10.11 Employment Agreement, dated October 9, 2015, between DCT Industrial Trust Inc. and Philip L. Hawkins (incorporated by reference to Exhibit 10.1 to Form 8-K filed on October 13, 2015)
- 10.12 Executive Change in Control and Severance Plan (incorporated by reference to Exhibit 10.2 to Form 8-K filed on October 13, 2015)
- +10.13 Resignation and Release Agreement, dated as of November 24, 2015, by and between DCT Industrial Trust Inc. and Jeffrey F. Phelan
- +21.1 List of Subsidiaries
- +23.1 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 17, 2017 with respect to DCT Industrial Trust Inc.
- +23.2 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 17, 2016 with respect to DCT Operating Partnership LP
- +31.1 Rule 13a-14(a) Certification of Principal Executive Officer of DCT Industrial Trust Inc.
- +31.2 Rule 13a-14(a) Certification of Principal Financial Officer of DCT Industrial Trust Inc.
- +31.3 Rule 13a-14(a) Certification of Principal Executive Officer of DCT Industrial Operating Partnership LP
- +31.4 Rule 13a-14(a) Certification of Principal Financial Officer of DCT Industrial Operating Partnership LP
- ++32.1 Section 1350 Certification of Principal Executive Officer of DCT Industrial Trust Inc.

++32.2 Section 1350 Certification of Principal Financial Officer of DCT Industrial Trust Inc.

++32.3 Section 1350 Certification of Principal Executive Officer of DCT Industrial Operating Partnership LP

++32.4 Section 1350 Certification of Principal Financial Officer of DCT Industrial Operating Partnership LP

101 The following materials from DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP's annual report on Form 10-K for the year ended December 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Changes in Equity/Consolidated Statements of Changes in Capital, (iv) the Consolidated Statements of Cash Flows, (v) related notes to these financial statements and (vi) financial statement schedule III.

+ Filed herewith

++ Furnished herewith

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