DCT Industrial Trust Inc.
Form 10-K
February 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark one)
x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017
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 Denver, Colorado	80202
(Address of principal executive offices)	(Zip Code)

(303) 597-2400
Registrant's Telephone Number, Including Area Code

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

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

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
DCT Industrial Trust Inc. Yes x No ¨ DCT Industrial Operating Partnership LP Yes x 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 x DCT Industrial Operating Partnership LP Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
DCT Industrial Trust Inc. Yes x No ¨ DCT Industrial Operating Partnership LP Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
DCT Industrial Trust Inc.:

Large accelerated filer x	Accelerated filer o
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
DCT Industrial Operating Partnership LP:

Large accelerated filer ¨	Accelerated filer o
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
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 x DCT Industrial Operating Partnership LP Yes ¨ No x
As of June 30, 2017, the aggregate market value of the 92.8 million shares of voting and non-voting common stock held by non-affiliates of DCT Industrial Trust Inc. was $5.0 billion based on the closing sale price of $53.44 as reported on the New York Stock Exchange on June 30, 2017. (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 9, 2018 there were 93,852,805 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, 2018 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, 2017 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, 2017, DCT owned approximately 96.6% 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 3.4% of the Operating Partnership were owned by executives and non-affiliated limited partners as of December 31, 2017.

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
TABLE OF CONTENTS
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2017

FORWARD-LOOKING STATEMENTS

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

- national, international, regional and local economic conditions;
- 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, 2017, DCT owned approximately 96.6% of the outstanding equity interests in the Operating Partnership.

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 urban centers 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 maintaining high levels of occupancy, increasing 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, 2017, the Company owned interests in approximately 74.8 million square feet of properties leased to approximately 850 customers, including:

- 65.1 million square feet comprising 398 consolidated operating properties, including five properties totaling 1.9 million square feet classified as held for sale, that were 97.8% occupied;
- 1.0 million square feet comprising six consolidated properties developed by DCT which are shell-construction complete and in lease-up;
- 0.1 million square feet comprising one consolidated property under redevelopment;
- 1.0 million square feet comprising three consolidated value-add acquisitions; and
- 7.6 million square feet comprising 21 unconsolidated properties that were 98.4% occupied and which we operated on behalf of two unconsolidated joint ventures.

In addition, the Company has 19 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, 2017, our total consolidated portfolio consisted of 408 properties with an average size of 165,000 square feet and an average age of 22 years.

During the year ended December 31, 2017, we acquired five buildings. These properties were acquired for a total purchase price of approximately $129.0 million. During the year ended December 31, 2017, we sold 12 consolidated operating properties to third-parties for gross proceeds of approximately $115.3 million. We recognized gains of approximately $47.1 million on the disposition of 11 properties and an impairment loss of approximately $0.3 million on one property during 2017.

We have a broadly diversified customer base. As of December 31, 2017, our consolidated properties had leases with approximately 850 customers with no single customer accounting for more than 3.4% of the total annualized base rent of our properties. Our 10 largest customers occupy approximately 16.6% of our consolidated properties based on square footage and account for approximately 18.7% of our annualized base rent as of December 31, 2017. We believe that our 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; Miami, Florida; 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 2017, we acquired 12 land parcels for development totaling approximately 344.3 acres and we commenced construction on 19 development and redevelopment buildings comprising 4.0 million square feet with a projected investment of approximately $335.4 million. In 2017, we also stabilized six development buildings, three redevelopment buildings and three value-add acquisitions totaling 2.9 million square feet with cumulative costs of approximately $232.8 million. As of December 31, 2017, there were six shell-construction complete buildings under development totaling 1.0 million square feet, 19 projects under construction totaling approximately 4.9 million square feet and three value-add acquisitions in lease-up totaling 1.0 million square feet. All of the buildings under construction are projected to be completed during 2018.
- 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. During the year ended December 31, 2017, we acquired five buildings comprising 1.3 million square feet located in our Chicago, Denver, Northern California, Orlando and Southern California markets for a total purchase price of approximately $129.0 million.
- Recycling Capital. We intend to selectively dispose of non-strategic assets and redeploy the proceeds into higher growth acquisition and development opportunities. In 2017, we sold 12 consolidated operating properties for gross proceeds of approximately $115.3 million. The proceeds have been designated for deployment into new development and 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. 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 well located, 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 30 years of commercial real estate experience and 19 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 provide opportunities for 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 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. Further, consistent with our capital recycling strategy, we have disposed of a cumulative $2.2 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, 2017, we had $164.1 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, 2017, 366 of our consolidated properties with a gross book value of $4.2 billion were unencumbered. During the year ended December 31, 2017, we also issued approximately 1.8 million shares of common stock through the continuous equity offering program, at a weighted average price of $54.48 per share for proceeds of approximately $95.5 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 markets where our management and operating teams conduct and monitor business. We consider rental revenues and property net operating income ("NOI") 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 we or the previous owners 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, 2017, we had 145 full-time employees.

ITEM 1A. RISK FACTORS
RISKS RELATED TO OUR BUSINESS AND OPERATIONS
Adverse economic conditions could negatively affect our returns and profitability.
Our operating results may be affected by weakness in the national and/or international economy as well as the local economies where our properties are concentrated. Specific impacts, among others, may include:
- increased levels of tenant defaults under, or non-renewals of, leases;
- re-leasing which may require concessions, tenant improvement expenditures or reduced rental rates;
- 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 an inability of potential buyers to acquire our properties held for sale.

The value of our investments may not appreciate or may decline 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 were more diversified.
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 may 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. 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 renovation 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 could mean that we may be responsible 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 a joint venture agreement may restrict our ability to sell our interest therein, or the underlying property, 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 could increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the underlying property 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 could change our intended hold period for a property or have required or could require us to recognize real estate impairment charges on some of our assets and equity investments. We conduct a comprehensive review of all our real estate assets in accordance with our policy of accounting for impairments (see further discussion of our accounting policies in “Notes to the Consolidated Financial Statements, Note 2 -Summary of Significant Accounting Policies” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Polices and Estimates”). The principal factor which has led to impairment charges in the past was the severe economic deterioration in many markets resulting in a decrease in leasing demand, rental rates, rising vacancies and/or an increase in capitalization rates. These possible impairment charges or losses could adversely affect our financial condition, results of operations and/or the market price of our stock.

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, 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, 2017, we owned 96.6% of the units of limited partnership interest in our operating partnership, or OP Units, certain unaffiliated limited partners owned 2.5% of the OP Units and certain of our officers, owned the remaining 0.9% 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, could 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 2018 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. Thus, 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.

13

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 and/or wind (Houston, Miami and Orlando), earthquakes (California and Washington State), acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against (due to coverage limitations and deductibles that we believe are not commercially reasonable) 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 losses. In the event that any of our properties incurs a 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. We evaluate our 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 maintaining, removing or remediating hazardous or toxic substances, including, without limitation, asbestos, 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 maintain or 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.

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. 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.

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, including environmental laws and regulations and the Americans with Disabilities Act. 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 of non-compliance, regardless of fault or whether the failure to comply was 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.

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 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 could reduce our ability to make distributions and may reduce the value of our common stock.

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, 2017, 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 capital stock. Our board of directors and/or management, in its sole discretion, may exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our board of directors and/or management 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 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 which 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 may also 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:

- 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

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 (which, for corporations, was repealed for tax years beginning after December 31, 2017 under the TCJA, as defined below), 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.

Tax legislation or regulatory action could adversely affect us or our investors.

On December 22, 2017, President Trump signed into law H.R. 1, informally titled the Tax Cuts and Jobs Act (the "TCJA"). The TCJA makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non-corporate taxpayers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes), and, for taxable years beginning after December 31, 2017 and before January 1, 2026, providing for preferential rates of taxation through a deduction of up to 20% (subject to certain limitations) on most ordinary REIT dividends and certain trade or business income of non-corporate taxpayers. The TCJA also imposes new limitations on the deduction of net operating losses, which may result in us having to make additional taxable distributions to our stockholders in order to comply with REIT distribution requirements or avoid taxes on retained income and gains. The effect of the significant changes made by the TCJA is highly uncertain, and administrative guidance will be required in order to fully evaluate the effect of many provisions. The effect of any technical corrections with respect to the TCJA could have an adverse effect on us or our stockholders. Investors should consult their tax advisors regarding the implications of the TCJA on their investment in our common stock or debt securities.

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 (though under the TCJA, individuals, trusts, and estates generally may deduct up to 20% of ordinary REIT dividends). While the 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.

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”.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES
Geographic Distribution
The following table presents the geographic diversification of our consolidated operating portfolio as of December 31, 2017:

Markets	Number of Buildings	Square Feet	Percentage of Total Square Feet		Occupancy Percentage [1]		Annualized Base Rent [2][3]	Percentage of Total Annualized Base Rent	
CONSOLIDATED OPERATING PORTFOLIO:[4]		(in thousands)					(in thousands)		
Atlanta	36	7,895	11.7	%	98.3	%	$ 27,929	8.7	%
Baltimore/Washington D.C.	18	2,164	3.2	%	97.6	%	14,930	4.7	%
Charlotte[5]	1	472	0.7	%	100.0	%	1,698	0.5	%
Memphis[5]	2	1,385	2.1	%	100.0	%	2,804	0.9	%
Miami[6]	11	1,442	2.0	%	100.0	%	11,857	3.7	%
Nashville	4	2,064	3.1	%	100.0	%	7,044	2.2	%
New Jersey	8	1,313	2.0	%	100.0	%	8,134	2.5	%
Orlando	21	1,864	2.8	%	96.6	%	8,658	2.7	%
Pennsylvania	13	3,038	4.5	%	95.4	%	14,241	4.5	%
East Segment Subtotal	114	21,637	32.1	%	98.2	%	97,295	30.4	%
Chicago	38	8,335	12.4	%	95.1	%	37,702	11.8	%
Cincinnati	29	3,177	4.7	%	100.0	%	11,983	3.8	%
Dallas	40	5,965	8.9	%	100.0	%	22,715	7.1	%
Houston	37	4,538	6.8	%	95.8	%	26,695	8.3	%
Indianapolis	2	844	1.3	%	100.0	%	3,505	1.1	%
Central Segment Subtotal	146	22,859	34.1	%	97.4	%	102,600	32.1	%
Denver	7	969	1.4	%	92.1	%	4,670	1.5	%
Northern California	28	4,339	6.5	%	99.7	%	26,631	8.3	%
Phoenix	22	2,024	3.0	%	93.9	%	9,227	2.9	%
Seattle	31	4,089	6.1	%	98.7	%	23,654	7.4	%
Southern California[6]	50	9,197	13.7	%	98.4	%	54,831	17.1	%
West Segment Subtotal	138	20,618	30.7	%	98.0	%	119,013	37.2	%
Total/weighted average – operating portfolio	398	65,114	96.9	%	97.8	%	318,908	99.7	%
DEVELOPMENT PROPERTIES:									
Chicago	2	307	0.5	%	0.0	%	—	0.0	%
Dallas	2	383	0.6	%	29.6	%	428	0.1	%
Denver	1	168	0.2	%	0.0	%	—	0.0	%
Miami	1	136	0.2	%	85.6	%	—	0.0	%
Total/weighted average – development properties	6	994	1.5	%	23.1	%	428	0.1	%
REDEVELOPMENT PROPERTIES:									
Orlando	1	121	0.2	%	0.0	%	—	0.0	%
Total/weighted average – redevelopment properties	1	121	0.2	%	0.0	%	—	0.0	%
VALUE-ADD ACQUISITIONS:									
Chicago	1	787	1.1	%	0.0	%	—	0.0	%

Denver	2	190	0.3	%	70.6	%	513	0.2	%
Total/weighted average – value-add acquisitions	3	977	1.4	%	13.7	%	513	0.2	%
Total/weighted average – consolidated properties	408	67,206	100.0	%	95.3	%	$ 319,849	100.0	%

(See footnote definitions on next page)

The following table presents the geographic diversification of our investments in unconsolidated operating portfolio as of December 31, 2017:

Markets	Number of Buildings	Percentage Owned [7]		Square Feet	Percentage of Total Square Feet		Occupancy Percentage [1]		Annualized Base Rent [2]	Percentage of Total Annualized Base Rent	
UNCONSOLIDATED JOINT VENTURES:[8]				(in thousands)					(in thousands)		
OPERATING PORTFOLIO IN UNCONSOLIDATED JOINT VENTURE:											
Southern California Logistics Airport[9]	8	50.0	%	2,975	39.2	%	99.9	%	$ 11,728	38.7	%
Total/weighted average – unconsolidated operating properties	8	50.0	%	2,975	39.2	%	99.9	%	11,728	38.7	%
OPERATING PORTFOLIO IN CO-INVESTMENT VENTURE:											
Chicago	2	20.0	%	1,033	13.6	%	94.1	%	4,145	13.7	%
Cincinnati	1	20.0	%	543	7.2	%	100.0	%	2,189	7.2	%
Dallas	1	20.0	%	540	7.1	%	100.0	%	1,839	6.1	%
Denver	5	20.0	%	773	10.2	%	100.0	%	4,347	14.3	%
Nashville	2	20.0	%	1,020	13.5	%	100.0	%	2,981	9.8	%
Orlando	2	20.0	%	696	9.2	%	91.4	%	3,098	10.2	%
Total/weighted average – co-investment operating properties	13	20.0	%	4,605	60.8	%	97.4	%	18,599	61.3	%
Total/weighted average – unconsolidated properties	21	31.8	%	7,580	100.0	%	98.4	%	$ 30,327	100.0	%

(1) Based on leases commenced as of December 31, 2017.

(2) Annualized base rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of December 31, 2017, multiplied by 12.

(3) Excludes total annualized base rent associated with tenants currently in free rent periods of $6.1 million, which excludes free rent related to developments, Redevelopments and Value-Add Acquisitions not stabilized during the three months ended December 31, 2017, based on the first month of cash base rent.

(4) Includes properties presented in assets held for sale in our Consolidated Balance Sheets.

(5) The Company exited the Charlotte and Memphis markets upon the disposition of its remaining properties in January 2018.

(6) As of December 31, 2017, our ownership interest in the Miami and Southern California properties was 99.6% and 95.4%, respectively based on our equity ownership weighted by square feet.

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

(8) 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.

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

Indebtedness

As of December 31, 2017, 42 of our 408 consolidated properties, with a combined gross book value of approximately $0.5 billion, were encumbered by mortgage indebtedness totaling $159.1 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-47 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 4.1 years as of December 31, 2017. 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, 2017, 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 Square Feet(1)	Annualized Base Rent of Expiring Leases(2)	Percentage of Total Annualized Base Rent
2018(3)	5,318	8.3 %	$ 26,578	7.4 %
2019	9,935	15.5 %	47,166	13.1 %
2020	8,737	13.6 %	47,332	13.2 %
2021	11,209	17.5 %	64,837	18.1 %
2022	9,084	14.2 %	51,259	14.3 %
2023	7,196	11.2 %	38,820	10.8 %
2024	3,761	5.9 %	20,999	5.9 %
2025	1,910	3.0 %	11,755	3.3 %
2026	3,556	5.5 %	21,339	5.9 %
2027	2,046	3.2 %	15,145	4.2 %
Thereafter	1,323	2.1 %	13,610	3.8 %
Total occupied	64,075	100.0 %	$ 358,840	100.0 %
Available or leased but not occupied	3,131			
Total consolidated properties	67,206			

(1) Percentage is based on consolidated occupied square feet as of December 31, 2017.

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

(3) Includes leases with an initial term of less than one year.

Customer Diversification

As of December 31, 2017, there were no customers that occupied more than 3.4% 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, 2017, who occupy a combined 11.1 million square feet, or 16.6%, of our consolidated properties and 18.7% of annualized base rent.

Customer	Percentage of Annualized Base Rent	Percentage of Square Feet
Amazon.com, Inc.	3.4 %	2.3 %
Distributions Alternatives, Inc.	3.1 %	3.3 %
FedEx Corporation	2.9 %	1.4 %
Geodis	1.8 %	2.0 %
United Parcel Service, Inc.	1.7 %	1.5 %
Stanley Black & Decker, Inc.	1.5 %	1.4 %
Deutsche Post DHL Group	1.1 %	1.1 %
Schenker, Inc.	1.1 %	0.8 %
The J. M. Smucker Company	1.1 %	1.6 %
Kellogg Company	1.0 %	1.2 %
Total	18.7 %	16.6 %

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, 2017 (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	265	$ 106,444	33.3 %	22,633	35.3 %
Wholesale Trade	192	54,609	17.1 %	12,300	19.2 %
Transportation and Warehousing	114	59,233	18.5 %	10,143	15.8 %
Professional, Scientific, and Technical Services	82	42,566	13.3 %	8,526	13.3 %
Retail Trade	72	24,431	7.6 %	4,944	7.7 %
Media and Information	22	6,641	2.1 %	887	1.4 %
Administrative Support and Waste Management Services	27	5,204	1.6 %	1,201	1.9 %
Health Care and Social Assistance	10	4,284	1.3 %	601	0.9 %
Rental Companies	13	2,217	0.7 %	390	0.6 %
Other	74	14,220	4.5 %	2,450	3.9 %
Total	871	$ 319,849	100.0 %	64,075	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, 2017, multiplied by 12.

(2) Based on leases commenced as of December 31, 2017.

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

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 2017	High	Low
December 31,	$61.53	$57.02
September 30,	$60.02	$52.06
June 30,	$55.69	$47.85
March 31,	$48.83	$43.95

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

On February 9, 2018, the closing price of our common stock was $54.38 per share, as reported on the NYSE and there were 93,852,805 shares of common stock outstanding, held by approximately 1,450 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 Maryland General Corporate Law 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 2017, 2016, and 2015 is as follows (refer to our website for more information on the taxability of our dividends):

	2017	2016	2015
Ordinary income	98.8%	80.1%	84.3%
Return of capital	0.2 %	4.5 %	6.9 %
Capital gains	1.0 %	15.4%	8.8 %

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, 2017, and 2016:

Amount Declared During Quarter Ended in 2017:	Per Share	Date Paid
December 31,	$ 0.36	January 4, 2018
September 30,	0.31	October 18, 2017
June 30,	0.31	July 12, 2017
March 31,	0.31	April 12, 2017
Total 2017	$ 1.29	
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	

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, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
DCT Industrial Trust Inc.	$ 100.00	$ 114.21	$ 147.84	$ 160.13	$ 210.64	$ 264.82
S&P 500	$ 100.00	$ 132.39	$ 150.51	$ 152.59	$ 170.84	$ 208.14
MSCI US REIT Index	$ 100.00	$ 102.47	$ 133.60	$ 136.97	$ 148.75	$ 156.29
FTSE NAREIT Equity Industrial Index	$ 100.00	$ 102.47	$ 133.35	$ 137.61	$ 149.33	$ 157.14

Note: The graph covers the period from December 31, 2012, to December 31, 2017, and assumes that $100 was invested in DCT Industrial Trust Inc. common stock and in each index on December 31, 2012, and that all dividends were reinvested.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares of Common Stock Purchased		(b) Average Price Paid per Common Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(c) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
October 1, 2017 - October 31, 2017	0		—	N/A	N/A
November 1, 2017 - November 30, 2017	409	(1)	$ 59.21	N/A	N/A
December 1, 2017 - December 31, 2017	0		—	N/A	N/A
Total	409		$ 59.21	N/A	N/A

(1) Represents the common stock surrendered by employees to DCT to satisfy such employees' tax withholding obligations in connection with the vesting of restricted stock.

Operating Partnership

OP Unit Market Prices and Dividends

There is no established public market for our OP Units. On February 9, 2018, there were 3,350,530 OP Units outstanding, held by approximately 190 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, 2017, and 2016:

Amount Declared During Quarter Ended in 2017:	Per Unit	Date Paid
December 31,	$0.36	January 4, 2018
September 30,	0.31	October 18, 2017
June 30,	0.31	July 12, 2017
March 31,	0.31	April 12, 2017
Total 2017	$1.29	
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	

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, 2017, approximately 0.1 million and 0.3 million OP Units were redeemed for approximately $0.1 million and $2.7 million in cash and approximately 0.1 million and 0.3 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 excepted 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.

SUPPLEMENT TO FEDERAL INCOME TAX CONSIDERATIONS

This summary is for general information purposes only and is not tax advice. This discussion does not address all aspects of taxation that may be relevant to particular holders of our securities in light of their personal investment or tax circumstances.

Recent Legislation

The recently enacted “Tax Cuts and Jobs Act” (the “TCJA”), generally applicable for tax years beginning after December 31, 2017, made significant changes to the Code, including a number of provisions of the Code that affect the taxation of businesses and their owners, including REITs and their stockholders, and, in certain cases, that modify the tax rules discussed in the accompanying prospectus.

Among other changes, the TCJA made the following changes:

- For tax years beginning after December 31, 2017 and before January 1, 2026, (i) the U.S. federal income tax rates on ordinary income of individuals, trusts and estates have been generally reduced and (ii) non-corporate taxpayers are permitted to take a deduction for certain pass-through business income, including dividends received from REITs that are not designated as capital gain dividends or qualified dividend income, subject to certain limitations.
- The maximum U.S. federal income tax rate for corporations has been reduced from 35% to 21%, and the alternative minimum tax has been eliminated for corporations, which would generally reduce the amount of U.S. federal income tax payable by our TRSs and by us to the extent we were subject to corporate U.S. federal income tax (for example, if we distributed less than 100% of our taxable income or recognized built-in gains in assets acquired from C corporations). In addition, the maximum withholding rate on distributions by us to non-U.S. stockholders that are treated as attributable to gain from the sale or exchange of a U.S. real property interest is reduced from 35% to 21%.
- Certain new limitations on the deductibility of interest expense now apply, which limitations may affect the deductibility of interest paid or accrued by us or our TRSs.
- Certain new limitations on net operating losses now apply, which limitations may affect net operating losses generated by us or our TRSs.
- A U.S. tax-exempt stockholder that is subject to tax on its unrelated business taxable income (“UBTI”) will be required to separately compute its taxable income and loss for each unrelated trade or business activity for purposes of determining its UBTI.
- New accounting rules generally require us to recognize income items for federal income tax purposes no later than when we take the item into account for financial statement purposes, which may accelerate our recognition of certain income items.

This summary does not purport to be a detailed discussion of the changes to U.S. federal income tax laws as a result of the enactment of the TCJA. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future law changes on REITs or their stockholders. Investors are urged to consult their own tax advisors regarding the effect of the TCJA based on their particular circumstances.

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, 2017, 2016, 2015, 2014, and 2013. 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,				
	2017	2016	2015	2014	2013
Operating Data:					
Rental revenues	$423,026	$391,360	$353,091	$334,787	$286,218
Total revenues	$424,468	$392,776	$354,697	$336,526	$289,005
Rental expenses and real estate taxes	$103,000	$96,817	$92,214	$94,310	$80,025
Property NOI[(1)]	$320,026	$294,543	$260,877	$240,477	$206,193
Total operating expenses	$300,248	$284,678	$284,672	$277,688	$237,741
Income (loss) from continuing operations	$108,476	$98,036	$102,965	$46,531	$(9,251)
Income from discontinued operations	$—	$—	$—	$5,717	$26,723
Gain on dispositions of real estate interests	$47,126	$49,895	$77,871	$39,671	$—
Net income attributable to common stockholders	$103,494	$93,060	$94,048	$49,164	$15,870
Net Earnings per Common Share – Basic:					
Income (loss) from continuing operations	$1.11	$1.03	$1.06	$0.52	$(0.13)
Income from discontinued operations	0.00	0.00	0.00	0.06	0.33
Net income attributable to common stockholders	$1.11	$1.03	$1.06	$0.58	$0.20
Net Earnings per Common Share – Diluted:					
Income (loss) from continuing operations	$1.11	$1.03	$1.05	$0.52	$(0.13)
Income from discontinued operations	0.00	0.00	0.00	0.06	0.33
Net income attributable to common stockholders	$1.11	$1.03	$1.05	$0.58	$0.20
Weighted Average Common Shares Outstanding:[(2)]					
Basic	92,574	89,867	88,182	83,280	74,692
Diluted	92,688	89,982	88,514	83,572	74,692
Amounts Attributable to Common Stockholders:					
Income (loss) from continuing operations[(3)]	$103,494	$93,060	$94,048	$43,730	$(9,250)
Income from discontinued operations	—	—	—	5,434	25,120
Net income attributable to common stockholders	103,494	93,060	94,048	49,164	15,870
Distributed and undistributed earnings allocated to participating securities	(665)	(669)	(678)	(677)	(692)
Adjusted net income attributable to common stockholders	$102,829	$92,391	$93,370	$48,487	$15,178
Common Share Distributions:					
Common share cash distributions, declared	$119,861	$106,656	$99,686	$94,227	$85,079
Common share cash distributions, declared per share	$1.29	$1.18	$1.13	$1.12	$1.12
Other Data:					
Consolidated operating buildings square feet	65,114	64,667	62,215	61,976	61,896
Consolidated operating buildings	398	401	394	393	395

Consolidated buildings square feet	67,206	66,228	63,550	64,201	63,172
Consolidated buildings	408	408	402	406	400

(See footnote definitions on page 35)

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Net investment in real estate	$3,816,842	$3,685,306	$3,480,236	$3,351,263	$3,141,877
Total assets	$4,010,672	$3,808,142	$3,632,355	$3,445,721	$3,258,967
Senior unsecured notes	$1,328,225	$1,351,969	$1,276,097	$1,117,253	$1,115,925
Mortgage notes	$160,129	$201,959	$210,375	$248,979	$290,446
Total liabilities	$1,961,209	$1,843,355	$1,763,198	$1,580,305	$1,591,775
Cash Flow Data:(4)					
Net cash provided by operating activities	$244,674	$221,302	$199,251	$169,957	$149,921
Net cash used in investing activities	$(296,782)	$(312,902)	$(189,780)	$(268,468)	$(292,216)
Net cash provided by financing activities	$59,879	$59,796	$16,758	$77,038	$164,348
Funds From Operations:					
Net income attributable to common stockholders	$103,494	$93,060	$94,048	$49,164	$15,870
Adjustments:					
Real estate related depreciation and amortization	168,245	161,334	156,010	148,992	137,120
Equity in earnings of unconsolidated joint ventures, net	(6,394)	(4,118)	(7,273)	(6,462)	(2,405)
Equity in FFO of unconsolidated joint ventures(5)	12,304	10,267	9,902	10,804	10,152
Impairment losses on depreciable real estate	283	—	2,285	5,767	13,279
Gain on business combination	—	—	—	(1,000)	—
Gain on dispositions of real estate interests	(47,126)	(49,895)	(77,871)	(45,199)	(33,650)
Gain on dispositions of non-depreciable real estate	8	43	—	98	31
Noncontrolling interest in the above adjustments	(5,302)	(5,576)	(4,487)	(6,300)	(8,211)
FFO attributable to unitholders	8,453	8,930	8,274	8,106	8,437
FFO attributable to common stockholders and unitholders – basic and diluted(6)	233,965	214,045	180,888	163,970	140,623
Adjustments:					
Acquisition costs	13	1,084	1,943	3,011	3,578
Severance costs	—	—	3,558	—	—
Hedge ineffectiveness (non-cash)(7)	—	(414)	—	—	—
Impairment loss on land	938	—	—	—	—
Tax Cuts and Jobs Act of 2017 impact	1,970	—	—	—	—
FFO, as adjusted, attributable to common stockholders and unitholders– basic and diluted	$236,886	$214,715	$186,389	$166,981	$144,201
FFO per common share and unit – basic	$2.42	$2.27	$1.95	$1.86	$1.76
FFO per common share and unit – diluted	$2.42	$2.27	$1.94	$1.85	$1.75
FFO, as adjusted, per common share and unit – basic	$2.45	$2.28	$2.00	$1.89	$1.80
FFO, as adjusted, per common share and unit – diluted	$2.45	$2.27	$2.00	$1.89	$1.80
FFO weighted average common shares and units outstanding:					
Common shares	92,574	89,867	88,182	83,280	74,692
Participating securities	504	563	560	605	616
Units	3,470	3,912	4,227	4,331	4,770
FFO weighted average common shares, participating securities and units outstanding– basic	96,548	94,342	92,969	88,216	80,078
Dilutive common stock equivalents	114	115	332	292	223

FFO weighted average common shares and units outstanding – diluted	96,662	94,457	93,301	88,508	80,301

(See footnote definitions on page 35)

DCT Operating Partnership

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
Operating Data:					
Rental revenues	$423,026	$391,360	$353,091	$334,787	$286,218
Total revenues	$424,468	$392,776	$354,697	$336,526	$289,005
Rental expenses and real estate taxes	$103,000	$96,817	$92,214	$94,310	$80,025
Property NOI(1)	$320,026	$294,543	$260,877	$240,477	$206,193
Total operating expenses	$300,248	$284,678	$284,672	$277,688	$237,741
Income (loss) from continuing operations	$108,476	$98,036	$102,965	$46,531	$(9,251)
Income from discontinued operations	$—	$—	$—	$5,717	$26,723
Gain on dispositions of real estate interests	$47,126	$49,895	$77,871	$39,671	$—
Net income attributable to OP Unitholders	$107,373	$97,112	$98,556	$51,722	$16,883
Net Earnings per OP Unit – Basic:					
Income (loss) from continuing operations	$1.11	$1.03	$1.06	$0.52	$(0.13)
Income from discontinued operations	0.00	0.00	0.00	0.06	0.33
Net income attributable to OP Unitholders	$1.11	$1.03	$1.06	$0.58	$0.20
Net Earnings per OP Unit – Diluted:					
Income (loss) from continuing operations	$1.11	$1.03	$1.06	$0.52	$(0.13)
Income from discontinued operations	0.00	0.00	0.00	0.06	0.33
Net income attributable to OP Unitholders	$1.11	$1.03	$1.06	$0.58	$0.20
Weighted Average OP Units Outstanding:(2)					
Basic	96,044	93,779	92,409	87,611	79,462
Diluted	96,158	93,894	92,741	87,903	79,462
Amounts Attributable to OP Unitholders:					
Income (loss) from continuing operations(3)	$107,373	$97,112	$98,556	$46,005	$(9,840)
Income from discontinued operations	—	—	—	5,717	26,723
Net income attributable to OP Unitholders	107,373	97,112	98,556	51,722	16,883
Distributed and undistributed earnings allocated to participating securities	(665)	(669)	(678)	(677)	(692)
Adjusted net income attributable to OP Unitholders	$106,708	$96,443	$97,878	$51,045	$16,191
OP Units Distributions:					
OP Unit cash distributions, declared	$124,787	$111,692	$104,432	$98,954	$90,352
OP Unit cash distributions, declared per unit	$1.29	$1.18	$1.13	$1.12	$1.12
Other Data:					
Consolidated operating buildings square feet	65,114	64,667	62,215	61,976	61,896
Consolidated operating buildings	398	401	394	393	395
Consolidated buildings square feet	67,206	66,228	63,550	64,201	63,172
Consolidated buildings	408	408	402	406	400

(See footnote definitions on page 35)

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
Balance Sheet Data:					
Net investment in real estate	$3,816,842	$3,685,306	$3,480,236	$3,351,263	$3,141,877
Total assets	$4,010,672	$3,808,142	$3,632,355	$3,445,721	$3,258,967
Senior unsecured notes	$1,328,225	$1,351,969	$1,276,097	$1,117,253	$1,115,925
Mortgage notes	$160,129	$201,959	$210,375	$248,979	$290,446
Total liabilities	$1,961,209	$1,843,355	$1,763,198	$1,580,305	$1,591,775
Cash Flow Data:(4)					
Net cash provided by operating activities	$244,674	$221,302	$199,251	$169,957	$149,921
Net cash used in investing activities	$(296,782)	$(312,902)	$(189,780)	$(268,468)	$(292,216)
Net cash provided by financing activities	$59,879	$59,796	$16,758	$77,038	$164,348
Funds From Operations:					
Net income attributable to OP Unitholders	$107,373	$97,112	$98,556	$51,722	$16,883
Adjustments:					
Real estate related depreciation and amortization	168,245	161,334	156,010	148,992	137,120
Equity in earnings of unconsolidated joint ventures, net	(6,394)	(4,118)	(7,273)	(6,462)	(2,405)
Equity in FFO of unconsolidated joint ventures(5)	12,304	10,267	9,902	10,804	10,152
Impairment losses on depreciable real estate	283	—	2,285	5,767	13,279
Gain on business combination	—	—	—	(1,000)	—
Gain on dispositions of real estate interests	(47,126)	(49,895)	(77,871)	(45,199)	(33,650)
Gain on dispositions of non-depreciable real estate	8	43	—	98	31
Noncontrolling interest in the operating partnership's share of the above adjustments	(728)	(698)	(721)	(752)	(787)
FFO attributable to OP Unitholders – basic and diluted(6)	233,965	214,045	180,888	163,970	140,623
Adjustments:					
Acquisition costs	13	1,084	1,943	3,011	3,578
Severance costs	—	—	3,558	—	—
Hedge ineffectiveness (non-cash)(7)	—	(414)	—	—	—
Impairment loss on land	938	—	—	—	—
Tax Cuts and Jobs Act of 2017 impact	1,970	—	—	—	—
FFO, as adjusted, attributable to OP Unitholders – basic and diluted	$236,886	$214,715	$186,389	$166,981	$144,201
FFO per OP unit – basic	$2.42	$2.27	$1.95	$1.86	$1.76
FFO per OP unit – diluted	$2.42	$2.27	$1.94	$1.85	$1.75
FFO, as adjusted, per OP Unit – basic	$2.45	$2.28	$2.00	$1.89	$1.80
FFO, as adjusted, per OP Unit – diluted	$2.45	$2.27	$2.00	$1.89	$1.80
FFO weighted average OP Units outstanding:					
OP Units	96,044	93,779	92,409	87,611	79,462
Participating securities	504	563	560	605	616
FFO weighted average OP Units and participating securities – basic	96,548	94,342	92,969	88,216	80,078
Dilutive unit equivalents	114	115	332	292	223
FFO weighted average OP Units outstanding – diluted	96,662	94,457	93,301	88,508	80,301

(See footnote definitions on page 35)

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

	For the Years Ended December 31,				
	2017	2016	2015	2014	2013
Property NOI[(1)]	$320,026	$294,543	$260,877	$240,477	$206,193
Institutional capital management and other fees	1,442	1,416	1,606	1,739	2,787
Casualty and involuntary conversion gain	274	2,753	414	328	296
Gain on dispositions of real estate interests	47,126	49,895	77,871	39,671	—
Gain on business combination	—	—	—	1,000	—
Development profit, net of taxes	—	—	2,627	2,016	268
Impairment losses	(283)	—	(2,285)	(5,635)	—
Real estate related depreciation and amortization	(168,245)	(161,334)	(156,010)	(148,992)	(130,002)
General and administrative	(28,994)	(29,280)	(34,577)	(29,079)	(28,010)
Equity in earnings of unconsolidated joint ventures, net	6,394	4,118	7,273	6,462	2,405
Interest expense	(66,054)	(64,035)	(54,055)	(63,236)	(63,394)
Interest and other income (expense)	(5)	551	(40)	1,563	274
Impairment loss on land	(938)	—	—	—	—
Income tax benefit (expense) and other taxes	(2,267)	(591)	(736)	217	(68)
Income (loss) from continuing operations	$108,476	$98,036	$102,965	$46,531	$(9,251)

(1) 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), gain on disposition of real estate interests, impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income and income tax benefit (expense) and other taxes, and net income attributable to noncontrolling interests. 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.

(2) 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 have been restated to give effect to the reverse stock split.

(3) Includes gain on dispositions of non-depreciable assets and gains on dispositions not meeting the definition of a discontinued operation, which changed in 2014 upon the Company's adoption of accounting standard update ("ASU") 2014–12, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.

(4) Information for all periods presented prior to 2017 has been retroactively restated to reflect the Company's 2016 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.

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

(6) 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, impairment losses on properties which are not depreciable and expense related to the Tax Cuts and Jobs Act of 2017 impact. We believe that FFO excluding hedge ineffectiveness, certain severance costs, acquisition costs, debt modification costs, impairment losses on non-depreciable real estate and expense related to the Tax Cuts and Jobs Act of 2017 impact 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.

(7) Effective as of January 1, 2017, the Company no longer separately records hedge ineffectiveness in earnings per the adoption of the Derivatives and Hedging ASU 2017-12.

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, 2017, DCT owned approximately 96.6% 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 35, 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 remain strong, supported by the 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 2018, 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 all 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 2018 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 generally 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 annual same-store portfolio net operating income to be higher in 2018 than it was in 2017, primarily as a result of the impact of increasing rental rates on leases signed in 2017 and 2018 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.

Summary of Significant Transactions and Activities for the Year Ended December 31, 2017

- Acquisitions
- During the year ended December 31, 2017, we acquired five buildings comprising 1.3 million square feet located in our Chicago, Denver, Northern California, Orlando and Southern California markets for a total purchase price of approximately $129.0 million. Weighted average occupancy upon the acquisition of the properties was 31.5%.
- Additionally, during the year ended December 31, 2017, we acquired land totaling approximately 344.3 acres for development in our Atlanta, Dallas, Houston, New Jersey, Northern California, Orlando, Pennsylvania and Seattle markets for approximately $57.0 million.
- Development Activities
- During the year ended December 31, 2017, we stabilized six development buildings, three redevelopment buildings and three value-add acquisitions totaling 2.9 million square feet in our Atlanta, Chicago, Cincinnati, Dallas, Orlando, Seattle and Southern California markets.
- In 2017 we commenced construction on 19 development and redevelopment buildings. As of December 31, 2017, we had completed shell-construction on six buildings in our Chicago, Dallas, Denver and Miami markets totaling 1.0 million square feet with cumulative costs to date of approximately $75.3 million and a total projected investment of approximately $83.4 million. These properties were 39.0% leased based on weighted average square feet as of December 31, 2017.
- Also, as of December 31, 2017, we had 19 projects under construction totaling 4.9 million square feet with cumulative costs to date of approximately $205.2 million and a total projected investment of approximately $404.3 million. These projects were 13.4% pre-leased as of December 31, 2017.

37

The table below presents a summary of development activities as of December 31, 2017 (square feet and dollar amounts in thousands):

Project	Market	Acres	Number of Buildings	Square Feet	Percentage Owned[1]	Cumulative Costs at 12/31/2017	Projected Investment	Completion Date[2]	Percentage Leased[3]
Consolidated Development Activities:									
Development Projects in Lease-Up									
DCT Stockyards Industrial Center	Chicago	10	1	167	100 %	$ 13,924	$ 16,437	Q4-2017	0 %
DCT Greenwood	Chicago	8	1	140	100 %	9,769	11,612	Q4-2017	0 %
DCT DFW Trade Center	Dallas	10	1	113	100 %	8,288	9,790	Q3-2017	48 %
DCT Miller Road	Dallas	17	1	270	100 %	15,566	15,743	Q3-2017	73 %
DCT Summit Distribution Center	Denver	12	1	168	100 %	11,783	13,844	Q4-2017	0 %
DCT Commerce Center Building C	Miami	8	1	136	100 %	15,956	16,010	Q2-2017	100 %
	Sub Total	65	6	994	100 %	$ 75,286	$ 83,436		39 %
Development Projects Under Construction									
DCT RiverWest Distribution Center Phase II	Atlanta	60	1	926	100 %	$ 4,868	$ 46,878	Q4-2018	0 %
DCT Terrapin Commerce Center Building I	Baltimore/Washington D.C.	13	1	126	100 %	8,889	14,718	Q2-2018	0 %
DCT Terrapin Commerce Center Building II	Baltimore/Washington D.C.	10	1	94	100 %	6,058	10,870	Q2-2018	0 %
2560 White Oak Expansion	Chicago	4	0	54	100 %	1,369	5,014	Q3-2018	100 %
DCT Freeport West Building II	Dallas	7	1	111	100 %	2,098	10,496	Q3-2018	0 %
DCT Freeport West Building III	Dallas	6	1	83	100 %	1,506	7,962	Q3-2018	0 %

DCT Rail Center 225, B	Houston	13	1	222	100	%	6,494	15,612	Q2-2018	100	%
DCT PetroPort Industrial Park Building I	Houston	12	1	89	100	%	3,208	6,030	Q2-2018	100	%
DCT PetroPort Industrial Park Building II	Houston	23	1	163	100	%	6,427	10,129	Q2-2018	100	%
DCT Commerce Center Building D	Miami	8	1	137	100	%	12,528	15,913	Q1-2018	0	%
DCT Commerce Center Building E	Miami	10	1	162	100	%	18,586	19,894	Q1-2018	83	%
Seneca Commerce Center Building I	Miami	13	1	222	90	%	11,667	22,089	Q2-2018	0	%
Seneca Commerce Center Building IV	Miami	4	1	62	90	%	3,777	8,271	Q3-2018	0	%
DCT Midline Commerce Center	New Jersey	34	1	440	100	%	18,171	35,961	Q3-2018	0	%
DCT Arbor Avenue	Northern California	40	1	796	100	%	43,406	53,321	Q1-2018	0	%
DCT Williams Corporate Center	Northern California	4	1	75	100	%	8,828	14,211	Q1-2018	0	%
DCT Rockline Commerce Center Building I	Pennsylvania	8	1	112	100	%	6,364	9,263	Q2-2018	0	%
DCT Rockline Commerce Center Building II	Pennsylvania	17	1	224	100	%	8,180	18,077	Q2-2018	0	%
Blair Logistics Center Building A	Seattle	27	1	543	100	%	23,983	49,786	Q3-2018	0	%
Hudson Distribution Center	Seattle	15	1	288	100	%	8,799	29,824	Q3-2018	0	%
	Sub Total	328	19	4,929	99	%	$ 205,206	$ 404,319		13	%
	Total	393	25	5,923	100	%	$ 280,492	$ 487,755		18	%

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

(2)

The completion date represents the date of building shell-construction completion or estimated date of shell-completion.

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

- Dispositions

- During the year ended December 31, 2017, we sold 12 consolidated operating properties, totaling 1.5 million square feet, located in our Baltimore/Washington D.C., Cincinnati, Dallas, Louisville, Miami, Northern California, Orlando and Phoenix markets to third-parties for gross proceeds of approximately $115.3 million. We recognized gains of approximately $47.1 million on the disposition of 11 properties.

- Debt Activity

- During March 2017, we repaid the remaining $25.0 million outstanding on our $100.0 million term loan maturing April 2017 at par using proceeds from our senior unsecured revolving credit facility.

- During March 2017, the Operating Partnership issued $50.0 million aggregate principal amount of 4.50% senior notes due 2023 at 103.88% of face value in a public offering for net proceeds of approximately $51.2 million after offering costs and excluding accrued interest of approximately $0.9 million. The notes were issued under our indenture dated October 9, 2013 and form part of the same series as our previously issued 4.50% senior notes due 2023. We primarily used the net proceeds to pay down our senior unsecured revolving credit facility and for general corporate purposes.

38

- During June 2017, we paid-off our $51.0 million senior unsecured note maturing June 2017 at par using proceeds from our senior unsecured revolving credit facility and proceeds from the issuance of common stock under our continuous equity offering program.
- During the year ended December 31, 2017, we paid-off four mortgage notes totaling $34.5 million maturing in 2017 at par using proceeds from our senior unsecured revolving credit facility.
- During December 2017, we amended our existing $200.0 million variable rate senior unsecured term loan, lowering our LIBOR plus a margin 50 bps at the midpoint to between .90% to 1.75% per annum effective January 1, 2018, and based on our public debt credit rating, resulted in a fixed rate of 2.81% beginning on that date.
- As of December 31, 2017, we had $234.0 million outstanding and $164.1 million available under our $400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling $1.9 million

•Activity from Investments in and Advances to Unconsolidated Joint Venture

- During May 2017, the SCLA joint venture entered into a $30.0 million secured fixed rate term note with a maturity date of May 2024. The proceeds were used to pay down a portion of the existing term note maturing in October 2017 and as a return of contributions to the joint venture partners.
- During June 2017, the TRT-DCT Venture III disposed of its three remaining properties. We received approximately $2.7 million for our share of the gross proceeds and recognized our share of the gain on the sale of approximately $1.2 million, which is included in "Equity in earnings of unconsolidated joint ventures, net" in our Consolidated Statements of Operations.
- During July 2017, the SCLA joint venture entered into a $13.5 million secured variable rate term note which bears interest at a variable rate equal to LIBOR plus a margin of 2.50% per annum with a maturity date of July 2024. The proceeds were used to return contributions to the joint venture partners. During August 2017, the SCLA joint venture entered into a pay-fixed, receive-floating interest rate swap which effectively fixed the interest rate on the related debt instrument at 4.55% with a maturity date of July 2024.
- In October 2017, the SCLA joint venture entered into an agreement to extend the maturity date of its $61.0 million secured construction loan from October 2017 to October 2019.

•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, whereby the Company may issue 5.0 million shares of common stock, at a par value of $0.01 per share, from time-to-time through September 10, 2018 in “at-the-market” offerings or certain other transactions. During the year ended December 31, 2017, we issued approximately 1.8 million shares of common stock through the continuous equity offering program, at a weighted average price of $54.48 per share for proceeds of approximately $95.5 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. As of December 31, 2017, approximately 0.7 million shares of common stock remain available to be issued under the current offering.

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, 2017 and are consistent with the year ended December 31, 2016.

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. In February 2016, the Financial Accounting Standards Boards ("FASB") issued an accounting standard update ("ASU") that modifies existing accounting standards for lease accounting whereby lessors may only capitalize incremental direct costs and as a result, upon adoption the Company will no longer capitalize initial direct costs. The ASU is effective for the Company on January 1, 2019. 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 judgments 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 judgments 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.

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers ("ASU 2014-09"), 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 along with other guidance and clarifications. The guidance is effective for fiscal years beginning after December 15, 2017. See "Notes to the Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies, New Accounting Standards" for further details.

In addition, in February 2016, the FASB issued an ASU 2016-02 that modifies existing accounting standards for lease accounting which may impact how revenue is recognized for lessors. Leases in which we are the lessors will be accounted as sales-type leases, direct financing leases or operating leases. The Company plans to adopt the new lease standard effective January 1, 2019 and we expect our operating leases with tenants will continue to qualify as operating leases. Revenue related to lease components will be recognized on a straight-line basis and revenue from non-lease components will be recognized in accordance with the principles of the Revenue from Contracts with Customers standard. See "Notes to the Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies, New Accounting Standards" for further details.

Results of Operations

Summary of the year ended December 31, 2017 compared to the year ended December 31, 2016

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, 2017, the Company owned interests in or had under development approximately 74.8 million square feet of properties leased to approximately 850 customers, including 7.6 million square feet managed on behalf of two unconsolidated joint ventures. As of December 31, 2017, we consolidated 398 operating properties, six development properties, one redevelopment property and three value-add acquisitions totaling 67.2 million square feet. As of December 31, 2016, we consolidated 397 operating properties, four development properties, three redevelopment properties and four value-add acquisitions, Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

Our annual same-store portfolio includes all consolidated stabilized acquisitions acquired before January 1, 2016 and all consolidated development and redevelopment properties and value-add acquisitions stabilized prior to January 1, 2016. Once a property is included in our annual same-store portfolio, it remains until it is subsequently disposed of or placed into redevelopment. For the year ended December 31, 2017, we had 359 properties classified in our annual same-store portfolio comprising 55.9 million feet and 49 classified as non-same-store, which includes 39 operating properties, six development properties, one redevelopment property and three value-add acquisitions that were not stabilized.

The following table presents the changes in rental revenues, rental expenses and real estate taxes, property net operating income ("NOI"), other revenue and other income, and other expenses for the year ended December 31, 2017 compared to the year ended December 31, 2016 (in thousands):

	For the Year Ended December 31,			
	2017	2016	$ Change	Percent Change
Rental Revenues				
Annual same-store portfolio	$355,392	$344,180	$11,212	3.3 %
Non-same-store operating properties	65,861	47,025	18,836	40.1 %
Developments, redevelopments and value-add acquisitions	1,773	155	1,618	1,043.9 %
Total rental revenues	423,026	391,360	31,666	8.1 %
Rental Expenses and Real Estate Taxes				
Annual same-store portfolio	88,056	87,171	885	1.0 %
Non-same-store operating properties	14,347	9,522	4,825	50.7 %
Developments, redevelopments and value-add acquisitions	597	124	473	381.5 %
Total rental expenses and real estate taxes	103,000	96,817	6,183	6.4 %
Property NOI[(1)]				
Annual same-store portfolio	267,336	257,009	10,327	4.0 %
Non-same-store operating properties	51,514	37,503	14,011	37.4 %
Developments, redevelopments and value-add acquisitions	1,176	31	1,145	3,693.5 %
Total property NOI	320,026	294,543	25,483	8.7 %
Other Revenue and Other Income				
Institutional capital management and other fees	1,442	1,416	26	1.8 %
Casualty gain	274	2,753	(2,479)	-90.0 %
Equity in earnings of unconsolidated joint ventures, net	6,394	4,118	2,276	55.3 %
Gain on dispositions of real estate interests	47,126	49,895	(2,769)	-5.5 %
Interest and other income (expense)	(5)	551	(556)	-100.9 %
Total other revenue and other income	55,231	58,733	(3,502)	-6.0 %
Other Expenses				
Real estate related depreciation and amortization	168,245	161,334	6,911	4.3 %
Interest expense	66,054	64,035	2,019	3.2 %
General and administrative	28,994	29,280	(286)	-1.0 %
Impairment loss	283	—	283	0.0 %
Impairment loss on land	938	—	938	0.0 %
Income tax expense and other taxes	2,267	591	1,676	283.6 %
Total other expenses	266,781	255,240	11,541	4.5 %
Net income attributable to noncontrolling interests of the Operating Partnership	(1,103)	(924)	(179)	-19.4 %
Net income attributable to OP Unitholders	107,373	97,112	10,261	10.6 %
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(3,879)	(4,052)	173	4.3 %
Net income attributable to common stockholders	$103,494	$93,060	$10,434	11.2 %

(1) For a discussion as to why we view property NOI to be an appropriate supplemental performance measure and a reconciliation of our property NOI to our reported “Net income attributable to common stockholders,” see page 35.

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 $31.7 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to the following changes:

- $18.8 million increase in total revenues in our non-same-store portfolio, of which $26.2 million is attributed to eight operating property acquisitions, three value-add acquisitions and 28 development, redevelopment properties and value-add acquisitions placed into our operating portfolio since January 1, 2016, offset in part by a $7.4 million decrease attributed to 27 consolidated property dispositions since January 1, 2016.
- $11.2 million increase in total revenues in our annual same-store portfolio primarily due to the following:
- $17.7 million increase in base rent primarily resulting from increased rental rates and a 40 basis point increase in average occupancy period over period;
- $3.3 million increase in operating expense recoveries related to higher average occupancy and increases in property tax expense; and
- $1.0 million increase in early lease termination fees in 2017; which was partially offset by
- $9.7 million decrease in straight-line rental revenue;
- $0.6 million decrease in miscellaneous income primarily due to higher move-out repairs in 2016 compared to the same period in 2017; and
- $0.5 million decrease in below market rent adjustments.
- $1.6 million increase in developments, redevelopments, and value-add acquisitions total revenues primarily attributed to two development properties and two value-add acquisitions that were not stabilized at 61.0% occupancy as of December 31, 2017.

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

	For the Year Ended December 31,			
	2017	2016	$ Change	Percent Change
Base rent	$307,624	$270,223	$37,401	13.8 %
Straight-line rent	5,108	20,671	(15,563)	(75.3)%
Amortization of above and below market rent intangibles	2,861	2,881	(20)	(0.7)%
Tenant recovery income	102,731	92,036	10,695	11.6 %
Other	3,219	4,640	(1,421)	(30.6)%
Revenues related to early lease terminations	1,483	909	574	63.1 %
Total rental revenues	$423,026	$391,360	$31,666	8.1 %

The following table provides a summary of our leasing activity for the year ended December 31, 2017:

	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	79	3,256	N/A	27.1 %	63	$ 5.35
Renewal	105	6,963	N/A	29.1 %	55	1.56
Developments, redevelopments and value-add acquisitions	22	2,405	N/A	N/A	71	N/A
Total/Weighted Average	206	12,624	$ 5.21	28.5 %	60	$ 2.76
Weighted Average Retention(6)	76.3 %					

(1) Reflects leases executed during the periods presented. Excludes leases with a term shorter than one year.
(2) Net effective rent is the average monthly base rental income over the term of the lease, calculated on a straight-line basis.
(3) Straight-line basis rent growth reflects the percentage change in net effective rent of the lease executed during the period compared to the net effective rent of the prior lease on the same space (holdover payments are excluded). All net effective rents are compared on a net basis. Net effective rent under gross or similar type leases are converted to net effective rent based on an estimate of the applicable recoverable expenses.
(4) Assumes no exercise of lease renewal options, if any.
(5) 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. These costs represent the total turnover costs estimated upon execution to be incurred associated with the leases signed during the period and may not ultimately reflect the actual expenditures. The estimated turnover costs associated with leases signed on value-add acquisitions, developments and redevelopments are included in the total projected costs for those investments and are therefore excluded from the leasing statistics.
(6) Represents the percentage of customers renewing their respective leases weighted by average square feet. Excludes leases signed on value-add acquisitions, developments and redevelopments and leases with a term shorter than one year.

During the year ended December 31, 2017, we signed a total of 206 leases comprising 12.6 million square feet of which 83 leases totaling 5.9 million square feet included concessions of $6.5 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 $6.2 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to the following:

- $4.8 million increase in rental expenses and real estate taxes related to our non-same-store portfolio primarily due to a $4.9 million increase in property taxes in our Atlanta, Chicago, Northern California, Seattle and Southern California markets and a $1.9 million increase in common area maintenance, insurance and property management fees attributed to property acquisitions and completion of developments and redevelopments, offset in part by a $2.0 million decrease primarily related to dispositions in our Chicago, Dallas, Indianapolis and Phoenix markets;
- $0.5 million increase in rental expenses and real estate taxes primarily due to increased property taxes in our Denver market from our development and redevelopment properties and value-add acquisitions that were not stabilized as of December 31, 2017; and
- $0.9 million increase in rental expenses and real estate taxes period over period in our annual same-store portfolio primarily due to property taxes in our Atlanta, Dallas, Houston and Southern California markets, offset in part by a decrease in snow removal costs.

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

	For the Year Ended December 31,			
	2017	2016	$ Change	Percent Change
Real estate taxes	$65,135	$60,020	$5,115	8.5 %
Insurance	4,557	4,533	24	0.5 %
Common area maintenance	15,578	15,638	(60)	(0.4)%
Utilities	4,919	4,784	135	2.8 %
Property management fees	11,099	10,049	1,050	10.4 %
Other	1,712	1,793	(81)	(4.5)%
Total rental expenses and real estate taxes	$103,000	$96,817	$6,183	6.4 %

Other Revenue and Other Income

Total other revenue and other income decreased $3.5 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to the following:

-

- $2.8 million decrease in gain on dispositions of real estate interests primarily related to gains of $49.9 million recognized from the disposition of 15 properties in our Chicago, Dallas, Houston, Indianapolis, Louisville and Northern California markets during 2016 compared to gains of $47.1 million recognized from the disposition of 11 properties in the Baltimore/Washington D.C., Cincinnati, Louisville, Miami, Northern California, Orlando and Phoenix markets during 2017;
- $2.5 million decrease in casualty gain primarily related to insurance settlements from casualty events in our Dallas and Northern California markets during 2016 compared to gains related to an insurance settlement from a casualty event that occurred in 2016 at a property in our Southern California market during 2017; and

- $0.6 million decrease 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 our Houston market; which was partially offset by
- $2.3 million increase in equity in earnings of unconsolidated joint ventures, net, primarily related to a $1.2 million gain recognized on the sale of three properties in the TRT-DCT Venture III joint venture, increased earnings from our unconsolidated investments in the SCLA and DCT/SPF Industrial Operating LLC joint ventures during 2017 compared to 2016 and the completion of development activities and stabilization of two buildings in the SCLA joint venture since January 1, 2016.

Other Expenses

Other expenses increased $11.5 million for the year ended December 31, 2017 compared to the same period in 2016, primarily due to the following:

- $6.9 million increase in depreciation and amortization expense resulting from the following:
- $12.3 million increase related to real estate acquisitions, development and redevelopment properties and value-add acquisitions, and capital additions; partially offset by
- $3.4 million decrease related to real estate dispositions; and
- $2.0 million decrease related to tenant improvements and intangible lease assets that were fully amortized during 2016.
- $2.0 million increase in interest expense due to the following:
- $5.5 million increase due to increased average outstanding indebtedness of approximately $99.2 million and a higher weighted average effective interest rate during 2017 compared to the same period in 2016; which was partially offset by
- $3.1 million decrease due to a $3.1 million increase in capitalized interest primarily related to increased development activities and a higher weighted average effective interest rate during 2017 compared to the same period in 2016; and
- $0.4 million decrease due to $0.4 million of hedge ineffectiveness recognized during 2016 related to our $200.0 million 2015 term note hedge compared to no hedge ineffectiveness recognized during 2017 upon the adoption of the Derivatives and Hedging ASU in September 2017, see “Notes to Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies” for additional information.
- $1.7 million increase in income tax expense and other taxes primarily as a result of the impact on deferred tax expense from the Tax Cuts and Jobs Act of 2017 corporate tax rate reduction and an increase in the allowance for deferred tax assets;
- $0.9 million increase in impairment loss on land recognized on one parcel of land during 2017; and
- $0.3 million increase in impairment loss due to $0.3 million recognized on one property sold during 2017; partially offset by
- $0.3 million decrease in general and administrative expenses primarily related to personnel and office costs.

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

As of December 31, 2016, we consolidated 397 operating properties, four development properties, three redevelopment properties and four value-add acquisitions. As of December 31, 2015, we consolidated 388 operating properties, three development properties, five redevelopment properties, two value-add acquisitions and four consolidated operating properties classified as held for sale.

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

Our annual same-store portfolio includes all consolidated stabilized acquisitions acquired before January 1, 2015 and all consolidated development and redevelopment properties and value-add acquisitions stabilized prior to January 1, 2015. Once a property is included in our annual same-store portfolio, it remains until it is subsequently disposed of or placed into redevelopment. For the year ended December 31, 2016, we had 344 properties classified in our same-store portfolio comprising 52.5 million square feet and 64 classified as non-same-store which includes 53 operating properties, four development properties, three redevelopment properties and four value-add acquisitions that were not stabilized.

The following table presents the changes in rental revenues, rental expenses and real estate taxes, property NOI, other revenue and other income and other expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 (in thousands):

	For the Year Ended December 31,			
	2016[(1)]	2015[(1)]	$ Change	Percent Change
Rental Revenues				
Annual same-store portfolio	$319,026	$304,694	$14,332	4.7 %
Non-same-store operating properties	71,767	46,100	25,667	55.7 %
Developments, redevelopments and value-add acquisitions	567	2,297	(1,730)	-75.3 %
Total rental revenues	391,360	353,091	38,269	10.8 %
Rental Expenses and Real Estate Taxes				
Annual same-store portfolio	81,034	78,367	2,667	3.4 %
Non-same-store operating properties	15,512	12,981	2,531	19.5 %
Developments, redevelopments and value-add acquisitions	271	866	(595)	-68.7 %
Total rental expenses and real estate taxes	96,817	92,214	4,603	5.0 %
Property NOI[(2)]				
Annual same-store portfolio	237,992	226,327	11,665	5.2 %
Non-same-store operating properties	56,255	33,119	23,136	69.9 %
Developments, redevelopments and value-add acquisitions	296	1,431	(1,135)	-79.3 %
Total property NOI	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 %
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 %

(1) Amounts do not reflect the changes to operating portfolio definition made as of Q1 2017, namely the addition of Value-Add Acquisitions are only considered in the operating portfolio upon stabilization.

(2) For a discussion as to why we view property NOI to be an appropriate supplemental performance measure and a reconciliation of our property NOI to our reported “Net income attributable to common stockholders,” see page 35.

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 annual 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 total revenues primarily attributed to development and redevelopment properties and value-add acquisitions 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:

	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	87	4,736	N/A	14.6 %	67	$ 5.12
Renewal	131	7,800	N/A	20.4 %	52	1.56
Developments, redevelopments and value-add acquisitions	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) Reflects leases executed during the periods presented. Excludes leases with a term shorter than one year.

(2) Net effective rent is the average monthly base rental income over the term of the lease, calculated on a straight-line basis.

(3) Straight-line basis rent growth reflects the percentage change in net effective rent of the lease executed during the period compared to the net effective rent of the prior lease on the same space (holdover payments are excluded). All net effective rents are compared on a net basis. Net effective rent under gross or similar type leases are converted to net effective rent based on an estimate of the applicable recoverable expenses.

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

(5) 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. These costs represent the total turnover costs estimated upon execution to be incurred associated with the leases signed during the period and may not ultimately reflect the actual expenditures. The estimated turnover costs associated with leases signed on

value-add acquisitions, developments and redevelopments are included in the total projected costs for those investments and are therefore excluded from the leasing statistics.

(6) Represents the percentage of customers renewing their respective leases weighted by average square feet. Excludes leases signed on value-add acquisitions, developments and redevelopments and leases with a term shorter than one year.

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 annual 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 to 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 portfolio 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.

Segment Summary for the years ended December 31, 2017, 2016, and 2015

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 NOI aggregated by segment to be the appropriate way to analyze performance.

The following table presents the changes in our consolidated properties 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 NOI[(3)]
EAST:							
2017	116	21,893	97.6	%	$1,125,085	$127,257	$98,893
2016	117	22,022	95.0	%	$1,076,647	$120,437	$93,811
2015	112	20,042	96.7	%	$1,034,511	$106,350	$80,231
CENTRAL:							
2017	151	24,336	91.9	%	$1,187,663	$137,654	$98,546
2016	148	23,084	95.2	%	$1,098,489	$128,964	$90,665
2015	154	24,436	89.7	%	$1,090,639	$130,791	$92,099
WEST:							
2017	141	20,977	97.0	%	$1,582,436	$158,115	$122,587
2016	143	21,122	96.6	%	$1,502,245	$141,959	$110,067
2015	136	19,072	92.6	%	$1,364,117	$115,950	$88,547

(1) Segment assets include all assets comprising operating properties included in a segment, less non-segment cash and cash equivalents and other non-segment assets.

(2)

Segment rental revenues include revenue from operating portfolio, development and redevelopment properties and value-add acquisitions.

(3) For the definition of property NOI, or property NOI, as defined on page 35, and a reconciliation of our property NOI to our reported “Net income attributable to common stockholders” 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, 2017	December 31, 2016	December 31, 2015
Segments:			
East assets	$ 1,125,085	$ 1,076,647	$ 1,034,511
Central assets	1,187,663	1,098,489	1,090,639
West assets	1,582,436	1,502,245	1,364,117
Total segment net assets	3,895,184	3,677,381	3,489,267
Non-segment assets:			
Non-segment cash and cash equivalents	10,522	10,286	18,412
Other non-segment assets(1)	104,966	120,475	124,676
Total assets	$ 4,010,672	$ 3,808,142	$ 3,632,355

(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 $48.4 million in 2017 due to the acquisition of five land parcels, one property placed into redevelopment and three development properties placed into operation; partially offset by the disposition of three properties since December 31, 2016.
- East Segment assets increased by approximately $42.1 million in 2016 primarily due to four development properties placed into operation, including one building that was shell-construction complete upon acquisition, and the acquisition of two land parcels since December 31, 2015.
- East Segment property NOI increased approximately $5.1 million for the year ended December 31, 2017 compared to the same period in 2016, primarily as a result of:
- $6.8 million increase in NOI, of which a $3.7 million increase is attributed to higher recoveries and rental rates in our annual same-store portfolio and a $3.7 million increase in rental revenues is attributed to the timing of property acquisitions and completion of developments, offset in part by a $0.6 million decrease in rental revenues attributed to property dispositions.
- $1.7 million decrease in NOI due to increases in operating expenses primarily related to increased property taxes during 2017 compared to 2016.
- 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 annual 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.

Central Segment

- Central Segment assets increased by approximately $89.2 million in 2017 due to the acquisition of three land parcels and one value-add acquisition, and four development properties placed into operation; partially offset by the disposition of three properties since December 31, 2016.
- Central Segment assets increased by approximately $7.9 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 property NOI increased approximately $7.9 million for the year ended December 31, 2017 compared to the same period in 2016, primarily as a result of:
- $8.7 million increase in NOI, of which a $10.7 million increase in rental revenues is attributed to the timing of property acquisitions and completion of developments and a $2.5 million increase attributed to higher rental rates and occupancy in our annual same-store portfolio, offset in part by $4.5 million decrease in rental revenues is attributed to property dispositions; which was partially offset by
- $0.9 million decrease in NOI, of which a $1.5 million increase in property taxes is primarily attributed to a $2.8 million increase in property taxes driven by the cessation of capitalization on developments placed into operation and property acquisitions, offset in part by a $1.3 million decrease in property taxes attributed to property dispositions, and by a $0.6 million decrease in operating expenses attributed to our annual same-store portfolio.
- 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 annual same-store portfolio; which was partially offset by
- $0.4 million decrease in NOI, of which a $4.3 million decrease in rental and property tax expenses primarily attributed to property dispositions; offset by a $2.9 million increase in operating expenses driven by the cessation of capitalization on developments placed into operation and property acquisitions, and $1.0 million increase in operating expenses attributed to our annual same-store portfolio due to increased real estate taxes.

West Segment

- West Segment assets increased by approximately $80.2 million in 2017 due to the acquisition of two operating properties, one value-add acquisition and four land parcels, and four development properties placed into operation, partially offset by the disposition of six properties since December 31, 2016.
- West Segment assets increased by approximately $138.1 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 property NOI increased approximately $12.5 million for the year ended December 31, 2017 compared to the same period in 2016, primarily as a result of:
- $16.2 million increase in NOI, of which an $13.5 million increase in rental revenues is attributed to the timing of property acquisitions and completion of developments and a $5.0 million increase is attributed to increased rental rates at properties in our annual same-store portfolio, offset in part by a $2.3 million decrease in operating expenses attributed to property dispositions; which was partially offset by
- $3.7 million decrease in NOI, of which a $3.0 million increase in operating expenses is attributed to increased property taxes driven by the cessation of capitalization on developments placed into operation and property acquisitions and a $1.2 million increase in operating expenses in our annual same-store portfolio primarily attributed to increased property taxes and other operating expenses, offset in part by a $0.5 million decrease in rental revenues attributed to property dispositions.
- 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 annual 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 our annual same-store portfolio property taxes and other operating expenses.

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.

Year ended December 31, 2017 compared to year ended December 31, 2016

"Cash, cash equivalents and restricted cash" were $25.8 million and $18.1 million as of December 31, 2017 and December 31, 2016, respectively.

Net cash provided by operating activities increased $23.4 million to $244.7 million during the year ended December 31, 2017 compared to $221.3 million during the same period in 2016. This change was primarily due to an increase in property NOI attributable to acquired properties, development and redevelopment properties placed into operation and operating performance at existing properties.

Net cash used in investing activities decreased $16.1 million to $296.8 million during the year ended December 31, 2017 compared to $312.9 million during the same period in 2016, primarily due to the following activities:

- $51.8 million decrease in cash outflows related to capital expenditures and development activities, as reflected in the table below;
- $34.9 million increase in cash inflows related to distributions of investments from unconsolidated joint ventures due to increased return of contributions from the SCLA joint venture, proceeds from the sale of three properties in the TRT-DCT Venture III joint venture and increased net cash flow from earnings from our unconsolidated investments in the SCLA and DCT/SPF Industrial Operating LLC joint ventures during 2017; and
- $3.5 million decrease in cash outflows related to investments in unconsolidated joint ventures due to contributions of $17.8 million in 2016 to the SCLA unconsolidated joint venture to fund the development of one project compared to contributions of $14.3 million in 2017; partially offset by
- $59.8 million increase in cash outflows related to real estate acquisitions;
- $11.8 million decrease in cash inflows related to proceeds from dispositions; and
- $3.2 million decrease in cash inflows from casualty proceeds primarily related to insurance settlements from casualty events in our Dallas and Northern California markets during 2016 compared to an insurance settlement from a casualty event that occurred in 2016 at a property in our Southern California market during 2017.

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, 2017 – Development Activities" for further details regarding projected investment of our current development activities as well as cumulative costs incurred as of December 31, 2017. Our total capital expenditures were comprised of the following (in thousands):

	For the Year Ended December 31,		
	2017	2016	$ Change
Development	$201,175	$190,793	$10,382
Redevelopment	6,629	20,687	(14,058)
Due diligence	2,126	5,304	(3,178)
Casualty expenditures	355	1,158	(803)
Building and land improvements	15,014	13,117	1,897
Tenant improvements and leasing costs	33,918	38,971	(5,053)
Total capital expenditures and development activities	259,217	270,030	(10,813)
Decrease (increase) in accruals and other adjustments	(21,511)	19,456	(40,967)
Total cash paid for capital expenditures and development activities	$237,706	$289,486	$(51,780)

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 relates to deferred acquisition costs identified during due diligence that are needed to stabilize an asset and/or bring an asset up to our physical standards.

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

	For the Year Ended December 31,		
	2017	2016	$ Change
Development activities	$5,071	$4,982	$ 89
Leasing activities	3,075	3,260	(185)
Operating building activities	2,934	2,977	(43)
Acquisition activities	326	—	326
Total capitalized indirect costs	$11,406	$11,219	$ 187

In addition, we capitalize interest costs incurred associated with development and construction activities. During the years ended December 31, 2017 and 2016, total interest capitalized was $13.0 million and $9.9 million, respectively.

Net cash provided by financing activities increased $0.1 million to $59.9 million during the year ended December 31, 2017 compared to $59.8 million during the same period in 2016 primarily due to the following activities:

- $154.0 million net increase in proceeds from our senior unsecured revolving credit facility in 2017 compared to 2016, as borrowings of $330.0 million during 2017 exceeded our borrowings of $248.0 million during 2016; offset by repayments of $171.0 million during 2017 compared to $243.0 million of repayments during 2016;

- $98.0 million net decrease in cash outflows related to repayments of senior unsecured notes due to the following:
- $50.0 million repayment of our senior unsecured fixed rate note at par in February 2016;
- $49.0 million repayment of our senior unsecured fixed rate note in August 2016; and
- $75.0 million pay down of our $100.0 million term loan in 2016; partially offset by
- $25.0 million early repayment of the remaining $25.0 million outstanding on our $100.0 million term loan at par in March 2017; and
- $51.0 million decrease due to the repayment of our $51.0 million senior unsecured note at par in June 2017.
- $3.3 million decrease in cash outflows attributed to the purchase of our joint venture partner interest during 2016 with no corresponding activity during 2017.
- $0.7 million decrease in cash outflows for loan costs of $1.8 million related to the issuance of our $250.0 million fixed rate senior unsecured note in August 2016 compared to loan costs of $1.1 million related to the issuance of $50.0 million of our 4.50% senior notes due 2023 in March 2017 and to the amendment of our $200.0 million variable rate senior unsecured term loan in December 2017; and
- $0.2 million net increase in cash inflows due to contributions from noncontrolling interests as a result of development activities on one building; which was partially offset by
- $198.1 million net decrease in proceeds from senior unsecured notes due to $250.0 million increase in cash inflows resulting from the issuance of our fixed rate senior unsecured notes in August 2016 compared to a $51.9 million increase in cash inflows resulting from the issuance of our 4.50% senior notes due in 2023 in March 2017;
- $34.4 million increase in cash outflows due to the following:
- Repayment of four mortgage notes at par totaling approximately $34.5 million in 2017; partially offset by
- Scheduled principal payments of mortgage notes totaling approximately $6.6 million during 2017 compared to $6.7 million during 2016.
- $11.5 million decrease in cash inflows as a result of the issuance of 1.8 million shares of common stock at a weighted average price of $54.48 per share in 2017 under our continuous equity offering program compared to the issuance of 2.5 million shares of common stock at a weighted average price of $43.98 per share in 2016.
- $11.4 million increase in cash outflows in distributions paid to common stockholders and unitholders as a result of an increase in our dividend rate per share, an increase in our common stock outstanding, operating partnership redemptions and offering costs; and
- $0.7 million increase in cash outflows due to the net settlement of stock-based awards.

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 NOI attributable to acquired properties, development and redevelopment properties and value-add acquisitions 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;

54

- $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 real estate 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.

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)
Decrease (increase) 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

The total of our capitalized indirect 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

During the years ended December 31, 2016, and 2015 total capitalized interest associated with development and construction activities 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 as a result of the issuance of 2.5 million shares of common stock at a weighted average price of $43.98 per share 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 pay down 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.

55

- $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.

Common Stock

As of December 31, 2017, approximately 93.7 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, whereby the Company may issue 5.0 million shares of common stock, at a par value of $0.01 per share, from time-to-time through September 10, 2018 in "at-the-market" offerings or certain other transactions. During the year ended December 31, 2017, we issued approximately 1.8 million shares of common stock through the continuous equity offering program, at a weighted average price of $54.48 per share for proceeds of approximately $95.5 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, 2017, approximately 0.7 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, 2017, approximately 0.3 million OP Units were redeemed for approximately $2.7 million in cash and approximately 0.3 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, 2017, approximately 3.2 million OP Units were issued, outstanding and held by entities other than DCT including approximately 0.8 million vested LTIP Units issued under our Long-Term Incentive Plan.

As of December 31, 2017, the aggregate redemption value of the then-outstanding OP Units held by entities other than DCT was approximately $191.0 million based on the $58.78 per share closing price of DCT's common stock on December 31, 2017.

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, 2017, and 2016, our board of directors declared distributions to stockholders and unitholders totaling approximately $124.8 million and $111.7 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 2017 and 2016.

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. During January 2018, our board of directors declared a quarterly cash dividend of $0.36 per share, payable on April 11, 2018 to stockholders of record as of March 30, 2018.

Outstanding Indebtedness

As of December 31, 2017, our outstanding indebtedness of approximately $1.7 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately $51.9 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. 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, 2017, the gross book value of our consolidated properties was approximately $4.7 billion and the gross book value of all properties securing our mortgage debt was approximately $0.5 billion. As of December 31, 2016, the total 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. Our debt has various covenants with which we were in compliance as of December 31, 2017 and 2016.

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 until June 2018.

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 until 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, Payoffs and Refinancing

During March 2017, the Operating Partnership issued $50.0 million aggregate principal amount of 4.50% senior notes due 2023 at 103.88% of face value in a public offering for net proceeds of approximately $51.2 million after offering costs and excluding accrued interest of approximately $0.9 million. The notes were issued under our indenture dated October 9, 2013 and form part of the same series as our previously issued 4.50% senior notes due 2023. We primarily used the net proceeds to pay down our senior unsecured revolving credit facility and for general corporate purposes.

During March 2017, we repaid the remaining $25.0 million outstanding on our $100.0 million term loan maturing April 2017 at par using proceeds from our senior unsecured revolving credit facility.

During June 2017, we paid-off our $51.0 million senior unsecured note maturing June 2017 at par using proceeds from our senior unsecured revolving credit facility and proceeds from the issuance of common stock under our continuous equity offering program.

During the year ended December 31, 2017, we paid-off four mortgage notes totaling $34.5 million maturing in 2017 at par using proceeds from our senior unsecured revolving credit facility.

During December 2017, we amended our existing $200.0 million variable rate senior unsecured term loan, lowering our margin to between .90% to 1.75% per annum effective January 1, 2018, and based on our public debt credit rating, resulted in a fixed rate of 2.81% beginning on that date.

Line of Credit

As of December 31, 2017, we had $234.0 million outstanding and $164.1 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, we had $75.0 million outstanding and $323.1 million available under our senior unsecured revolving credit facility, net of two letter of credit totaling $1.9 million.

The senior unsecured revolving credit facility agreement contains various covenants with which we were in compliance as of December 31, 2017, and December 31, 2016.

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, 2017 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Bank Unsecured Credit Facilities		Total
2018	$81,500	$ 6,747	$—		$88,247
2019	46,000	51,344	234,000		331,344
2020	50,000	71,933	125,000	(1)	246,933
2021	92,500	18,436	—		110,936
2022	130,000	3,116	200,000	(1)	333,116
Thereafter	610,000	7,555	—		617,555
Total	$1,010,000	$ 159,131	$ 559,000		$1,728,131

(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, 2017, specifically our obligations under long-term debt agreements, operating lease agreements and ground lease agreements (in thousands):

	Payments due by Period				
Contractual Obligations[1]	Total	2018	2019 - 2020	2021 - 2022	Thereafter
Scheduled long-term debt maturities, including interest[2]	$2,037,899	$159,055	$687,546	$524,286	$667,012
Operating lease commitments	6,940	1,345	2,638	1,803	1,154
Ground lease commitments[3]	11,934	938	1,807	1,160	8,029
Total	$2,056,773	$161,338	$691,991	$527,249	$676,195

(1) 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, 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 $218.0 million.

(2) Variable interest rate payments are estimated based on the LIBOR rate at December 31, 2017.

(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, 2017, and 2016, 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, 2017, our proportionate share of the total construction loans of our unconsolidated development joint ventures was $51.9 million, which are scheduled to mature in October 2019, May 2024, and July 2024. 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, 2017, our proportionate share of non-recourse debt associated with unconsolidated joint ventures is $51.9 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
2018	$ —
2019	30,269
2020	—
2021	—
2022	—
Thereafter	21,633
Total	$ 51,902

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, 2017, and 2016, we had borrowings payable subject to these pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately $6.4 million and $6.6 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 year ended December 31, 2016, we recorded a non-cash charge of approximately $0.4 million 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). No hedge ineffectiveness was recorded in 2015 or 2017. See "Notes to the Consolidated Financial Statements, Note 2 – Summary of Significant Accounting Policies" for the impact to the Consolidated Financial Statements from the adoption of the Derivatives and Hedging ASU in September 2017. As of December 31, 2017, and 2016, the entire $200.0 million principal amount of the term loan was subject to this pay-fixed, receive-floating interest rate swap. During December 2017, we amended the unsecured term loan, lowering our margin to between .90% to 1.75% per annum effective January 1, 2018, and based on our current public debt credit rating, will result in a fixed rate of 2.81% beginning on that date. See "Notes to the Consolidated Financial Statements, Note 6 – Outstanding Indebtedness" for additional information.

Our variable rate debt is subject to risk based upon prevailing market interest rates. As of December 31, 2017, we had approximately $359.0 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, 2017, would have increased approximately $0.5 million based on our outstanding floating-rate debt as of December 31, 2017. 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 $14.0 million during the year ended December 31, 2017.

As of December 31, 2017, the estimated fair value of our debt was approximately $1.8 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 69 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, 2017, 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, 2017 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 2017, 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, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 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 2017 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, 2017, 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, 2017, 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 2017, 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, 2017.

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 2017 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:

Opinion on Internal Control over Financial Reporting
We have audited DCT Industrial Trust Inc. and subsidiaries' internal control over financial reporting as of December 31, 2017, 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). In our opinion, DCT Industrial Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes and schedule (collectively referred to as the "financial statements") and our report dated February 16, 2018 expressed an unqualified opinion thereon.
Basis for Opinion
The Company's 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. 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.
Definition and Limitations of Internal Control Over Financial Reporting
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.

/s/ Ernst & Young LLP
Denver, Colorado
February 16, 2018

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 2018 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 2018 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 2018 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, 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 2018 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES
The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2018 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 69 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 69. All other financial statement schedules are not applicable.
B. Exhibits.

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	Fifth Amendment to DCT Industrial Trust Inc. Amended and Restated Bylaws (incorporated by reference to Exhibit 3.6 to Form 10-Q filed on May 5, 2017)
3.9	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)
3.10	DCT Industrial Trust Inc. Articles of Amendment (incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 17, 2014)
3.11	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	First Supplemental Indenture, dated March 16, 2017, by and among DCT Industrial Operating Partnership LP, as issuer, DCT Industrial Trust, Inc., as guarantor, and U.S. Bank National Association, as trustee

	(incorporated by reference to Exhibit 4.1 to Form 8-K filed on March 16, 2017)
4.4	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)
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)
10.7	First Amendment to the Second Amended and Restated DCT Industrial Trust Inc. 2006 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to Form 10-K filed on February 17, 2017)
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)
+21.1	List of Subsidiaries
+23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 16, 2018 with respect to DCT Industrial Trust Inc.
+23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated February 16, 2018 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, 2017 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

ITEM 16. FORM 10-K SUMMARY

None.

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 16, 2018

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 16, 2018
/S/ MATTHEW T. MURPHY Matthew T. Murphy	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 16, 2018
/S/ MARK E. SKOMAL Mark E. Skomal	Chief Accounting Officer (Principal Accounting Officer)	February 16, 2018
/S/ MARILYN A. ALEXANDER Marilyn A. Alexander	Director	February 16, 2018
/S/ THOMAS F. AUGUST Thomas F. August	Director	February 16, 2018
/S/ JOHN S. GATES, JR. John S. Gates, Jr.	Director	February 16, 2018
/S/ RAYMOND B. GREER Raymond B. Greer	Director	February 16, 2018
/S/ TRIPP H. HARDIN Tripp H. Hardin	Director	February 16, 2018
/S/ TOBIAS HARTMANN Tobias Hartmann	Director	February 16, 2018
/S/ JOHN C. O’KEEFFE John C. O’Keeffe	Director	February 16, 2018
/S/ MARCUS L. SMITH Marcus L. Smith	Director	February 16, 2018

67

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 16, 2018

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	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 16, 2018
Philip L. Hawkins		
/S/ 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 16, 2018
Matthew T. Murphy		
/S/ 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 16, 2018
Mark E. Skomal		
/S/ MARILYN A. ALEXANDER	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
Marilyn A. Alexander		
/S/ THOMAS F. AUGUST	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
Thomas F. August		
/S/ JOHN S. GATES, JR.	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
John S. Gates, Jr.		
/S/ RAYMOND B. GREER	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
Raymond B. Greer		
/S/ TRIPP H. HARDIN	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
Tripp H. Hardin		
/S/ TOBIAS HARTMANN	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018
Tobias Hartmann		
/S/ JOHN C. O'KEEFFE	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018

John C. O'Keeffe		
/S/ MARCUS L. SMITH Marcus L. Smith	Director, of DCT Industrial Trust Inc. the sole general partner of DCT Industrial Operating Partnership LP	February 16, 2018

68

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Acco