DCT Industrial Trust Inc.
Form 10-K
February 21, 2014
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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, 2013

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.

(Exact name of registrant as specified in its charter)

Maryland	**82-0538520**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
518 17th Street, Suite 800	
Denver, Colorado	**80202**
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	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.

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.

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. 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).

Yes [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (do not check if smaller reporting company)	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

As of June 30, 2013, the aggregate market value of the 288.1 million shares of voting and non-voting common stock held by non-affiliates of the registrant was $2.1 billion based on the closing sale price of $7.15 as reported on the New York Stock Exchange on June 30, 2013. (For this computation, the registrant has excluded the market value of all shares of Common Stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.) As of February 14, 2014 there were 324,266,885 shares of Common Stock outstanding.

Documents Incorporated by Reference

Portions of the registrant s definitive proxy statement to be issued in conjunction with the registrant s annual meeting of stockholders to be held April 30, 2014 are incorporated by reference into Part III of this Annual Report.

DCT INDUSTRIAL TRUST INC.

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ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2013

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FORWARD-LOOKING STATEMENTS

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

- national, international, regional and local economic conditions, including, in particular, the strength of the United States economic recovery and global economic recovery;
- the general level of interest rates and the availability of capital;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- defaults on or non-renewal of leases by tenants;
- acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections;
- the timing of acquisitions, dispositions and development;
- natural disasters such as fires, floods, tornadoes, hurricanes and earthquakes;
- energy costs;
- the terms of governmental regulations that affect us and interpretations of those regulations, including the costs of compliance with those regulations, changes in real estate and zoning laws and increases in real property tax rates;

- financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal, interest and other commitments;
- lack of or insufficient amounts of insurance;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;
- the consequences of future terrorist attacks or civil unrest;
- environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us; and
- other risks and uncertainties detailed in the section entitled Risk Factors.

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

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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.

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PART I

ITEM 1. BUSINESS

The Company

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. As used herein, DCT Industrial Trust, DCT, the Company, we, our and us refer to DCT Industrial Trust Inc. and its consolidated subsidiaries and partnerships except wher context otherwise requires. We were formed as a Maryland corporation in April 2002 and have elected to be treated as a real estate investment trust (REIT) for United States (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 (the operating partnership), a Delaware limited partnership, for which DCT Industrial Trust Inc. is the sole general partner. We own our properties through our operating partnership and its subsidiaries. As of December 31, 2013, we owned approximately 94.8% of the outstanding equity interests in our 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 warehouses and light industrial properties. The properties we target for acquisition or development are generally characterized by convenient access to major transportation arteries, proximity to densely populated markets and quality design standards that allow our customers efficient and flexible use of the buildings. In the future, we intend to continue focusing on properties that exhibit these characteristics in select U.S. markets where we believe we can achieve favorable returns and leverage our local expertise. We seek to maximize growth in earnings and shareholder value within the context of overall economic conditions, primarily through increasing rents and operating income at existing properties and acquiring and developing high-quality properties in major distribution markets. In addition, we will recycle our capital by disposing of non-strategic, lower growth assets and reinvesting the proceeds into newly acquired or developed assets where we believe the returns will be more favorable over time.

As of December 31, 2013, the Company owned interests in approximately 75.5 million square feet of properties leased to approximately 900 customers, including:

- 62.1 million square feet comprising 396 consolidated operating properties, including 0.2 million square feet comprising one consolidated building classified as held for sale, which were 93.3% occupied;
- 12.3 million square feet comprising 38 unconsolidated properties which were 94.1% occupied and operated on behalf of four institutional capital management partners;
- 0.2 million square feet comprising two consolidated properties under redevelopment; and
- 0.9 million square feet comprising two consolidated buildings which are shell-complete and in lease-up and eight land sites under construction.

As of December 31, 2013, our total consolidated portfolio consisted of 400 properties with an average size of 158,000 square feet and an average age of 21 years.

During the year ended December 31, 2013, we acquired 38 buildings. These properties were acquired for a total purchase price of $359.5 million.

During the year ended December 31, 2013, we sold 51 operating properties to third-parties for gross proceeds of approximately $265.8 million. We recognized gains of approximately $33.6 million on the disposition of 36 operating properties and recognized an impairment loss of approximately $13.3 million on the disposition of a portfolio of 15 properties in Dallas.

We have a broadly diversified customer base. As of December 31, 2013, our consolidated properties had leases with approximately 900 customers with no single customer accounting for more than 2.3% of the total annualized base rent of our properties. Our ten largest customers occupy approximately 10.0% of our consolidated properties based on square footage and account for approximately 12.1% of the annualized base rent of these properties. We believe that our broad national presence in the top U.S. distribution markets provides geographic diversity and is attractive to users of distribution space which allows us to build strong relationships with our customers. Furthermore, we are actively engaged in meeting our customers expansion and relocation requirements.

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

Business Strategy

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO per share (see definition in Selected Financial Data), the net asset value of our portfolio and total shareholder return. The strategies we intend to execute to achieve these objectives include:

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

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

Selectively Pursuing New Development. To meet current tenant demand, we continue to develop new assets in select markets where rents and vacancy levels demonstrate the need for new construction. During 2013, we acquired five land parcels for future development totaling approximately 128.6 acres. Also during 2013, we stabilized six development buildings totaling 1.6 million square feet and have seven buildings under construction, which are partially leased, totaling approximately 2.7 million square feet. As of December 31, 2013, we also had one build-to-suit for sale building under contract. The buildings under construction, as well as the build-to-suit for sale building, are all projected to be completed in 2014.

Recycling Capital. We intend to selectively dispose of non-strategic assets and redeploy the proceeds into higher growth acquisition and development opportunities. In 2013, we sold $265.8 million of non-strategic assets for deployment into higher growth assets. This includes the divestiture of the entire portfolio located in Mexico.

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

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Our Competitive Strengths

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

High-Quality Industrial Property Portfolio. Our portfolio of industrial properties primarily consists of high-quality bulk distribution facilities in high volume leasing markets specifically designed to meet the warehousing needs of local, regional and national companies. The majority of our properties are specifically designed for use by major distribution users and are readily divisible to take advantage of re-tenanting opportunities. We believe that our concentration of high-quality bulk distribution properties provides us with a competitive advantage in attracting and retaining distribution users across the markets in which we operate.

Experienced and Committed Management Team. Our executive management team collectively has an average of nearly 28 years commercial real estate experience and 17 years of industrial real estate experience. Additionally, our executive management team has extensive public company operating experience.

Strong Operating Platform. We have a team of 86 experienced transaction and property management professionals working in 12 regional offices to maximize market opportunities through local expertise, presence and relationships. We believe successfully meeting the needs of our customers and anticipating and responding to market opportunities will result in achieving superior returns from our properties as well as through the sourcing of new acquisitions and development opportunities.

Proven Acquisition and Disposition Capabilities. The Company has extensive experience in acquiring industrial real estate, including both smaller transactions as well as larger portfolio acquisitions. Our local market teams are an important advantage in sourcing potential marketed as well as off-market transactions. The average size of our acquisitions since 2010 was $14.0 million, demonstrating our ability to access a significant pipeline of smaller acquisitions. Further, consistent with our capital recycling strategy, we have disposed of a cumulative $1.4 billion of real estate investments since inception.

Extensive Development and Redevelopment Expertise. Our local market teams have significant experience in all facets of value-add activities including development and redevelopment capabilities. We believe our local teams knowledge of our focus markets and their relationships with key market participants, including land owners, users and brokers, combined with the technical expertise required to successfully execute on complex transactions, provides us with an excellent platform to create value while appropriately managing risk.

Strong Industry Relationships. We believe that our extensive network of industry relationships with the brokerage and investor communities will allow us to execute successfully our acquisition, development and capital recycling strategies. These relationships augment our ability to source acquisitions in off-market transactions outside of competitive marketing processes, capitalize on development opportunities and capture repeat business and transaction activity. Our strong relationships with local and nationally focused brokers aids in attracting and retaining customers.

Capital Structure. Our capital structure provides us with sufficient financial flexibility and capacity to fund future growth. In addition to successfully raising $258.6 million in net proceeds from equity offerings in 2013, DCT received investment grade ratings from Moody s Investors Service and Standard & Poor s Rating Services and issued $275.0 million (aggregate principal amount) of 10-year senior unsecured notes at 99.038% of face value for net proceeds of approximately $269.6 million after expenses. The notes have a fixed interest rate of 4.5%. As of December 31, 2013 we had $261.0 million available under our senior unsecured revolving credit facility and 334 of our consolidated operating properties with a gross book value of $2.8 billion were unencumbered.

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Operating Segments

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

Competition

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

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

Environmental Matters

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

Employees

As of December 31, 2013, we had 136 full-time employees.

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ITEM 1A. RISK FACTORS
RISKS RELATED TO RECENT ECONOMIC CONDITIONS

Adverse economic conditions will negatively affect our returns and profitability.

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

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

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

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

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

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

We depend on key personnel.

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

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

As a REIT, we must meet certain annual distribution requirements. Consequently, we are largely dependent on asset sales or external capital to fund our development and acquisition activities. Further, in order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. Additionally, our ability to sell assets or access capital is dependent upon a number of factors, including general market conditions and competition from other real estate companies. To the extent that capital is not available to acquire or develop properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock.

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

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

Our real estate development strategies may not be successful.

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

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

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

- that our partner in an investment might become bankrupt, which would mean that we could generally remain liable for the joint venture s liabilities;

- that such partner may at any time have economic or business interests or goals which are or which become inconsistent with our business interests or goals;

- that such partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives, including our current policy with respect to maintaining our qualification as a REIT;

- that, if our partners fail to fund their share of any required capital contributions, we may be required to contribute such capital;

- that joint venture agreements often restrict the transfer of a partner s interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;

- that our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the agreements and, in such event, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase such interests or assets at an above-market price to continue ownership;

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

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

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

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

The availability and timing of cash distributions is uncertain.

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

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

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

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

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

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

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

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

RISKS RELATED TO CONFLICTS OF INTEREST

Our UPREIT structure may result in potential conflicts of interest.

As of December 31, 2013, we owned 94.8% of the units of limited partnership interest in our operating partnership, or OP Units, certain unaffiliated limited partners owned 4.7% of the OP Units and certain of our officers and directors, owned the remaining 0.5% of the OP Units. Persons holding OP Units in our operating partnership have the right to vote on certain amendments to the limited partnership agreement of our operating partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Furthermore, circumstances may arise in the future when the interest of limited partners in our operating partnership may conflict with the interests of our stockholders. For example, the timing and terms of dispositions of properties held by our operating partnership may result in tax consequences to certain limited partners and not to our stockholders.

GENERAL REAL ESTATE RISKS

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

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

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

customer turnover;

general overbuilding or excess supply in the market areas; and

disruptions in the global supply chain caused by political, regulatory or other factors including terrorism.

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

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

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

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

We are dependent on customers for our revenues.

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

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

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

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

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

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

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

A property may incur a vacancy either by the continued default of a customer under its lease or the expiration of one of our leases. We have significant lease expirations in 2014, as outlined in Item 2, Properties Lease Expirations. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. We may have difficulty obtaining a new customer for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because of vacancy.

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

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

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

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

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

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

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

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

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

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

Contingent or unknown liabilities could adversely affect our financial condition.

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

Environmentally hazardous conditions may adversely affect our operating results.

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

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

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

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

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

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

All real property and the operations conducted on real property are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Customers ability to operate and to generate income to pay their lease obligations may be affected by permitting and compliance obligations arising under such laws and regulations. Some of these laws and regulations may impose joint and several liability on customers, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Leasing properties to customers that engage in industrial, manufacturing, and commercial activities will cause us to be subject to the risk of liabilities under environmental laws and regulations. In addition, the presence of hazardous or toxic substances, or the failure to properly remediate these substances, may adversely affect our ability to sell, rent or pledge such property as collateral for future borrowings.

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

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

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

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

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

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

RISKS RELATED TO OUR DEBT FINANCINGS

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

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

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

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

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

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

The terms of our senior credit facility and other indebtedness require us to comply with a number of customary financial and other covenants, such as covenants with respect to consolidated leverage, net worth and unencumbered assets. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. As of December 31, 2013, we had certain non-recourse, secured loans which are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. In addition, our senior credit facility contains certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the senior credit facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

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

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

RISKS RELATED TO OUR CORPORATE STRUCTURE

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

Our charter contains a 9.8% ownership limit.

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% by value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares of our capital stock. Our board of directors, in its sole discretion, may exempt, subject to the satisfaction of certain conditions, any person from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any person whose ownership, direct or indirect, in excess of 9.8% by value or number of shares of any class or series of our outstanding shares of our capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

We could authorize and issue stock without stockholder approval.

Our board of directors could, without stockholder approval, issue authorized but unissued shares of our common stock or preferred stock and amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. In addition, our board of directors could, without stockholder approval, classify or reclassify any unissued shares of our common stock or preferred stock and set the preferences, rights and other terms of such classified or reclassified shares. Our board of directors could establish a series of stock that could, depending on the terms of such series, delay, defer or prevent a transaction or change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

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

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

For example, Title 8, Subtitle 3 of the Maryland General Corporation Law, or MGCL, permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not currently have. These provisions may have the effect of inhibiting a third-party from making an acquisition proposal for our Company or of delaying, deferring or preventing a change in control of our Company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price.

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

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

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

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

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

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

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

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

Maryland law provides that a director or officer has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter eliminates our directors and officers liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our bylaws require us to indemnify our directors and officers to the maximum extent permitted by Maryland law for liability actually incurred in connection with any proceeding to which they may be made, or threatened to be made, a party, except to the extent that the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty; the director or officer actually received an improper personal benefit in money, property or services; or, in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. In addition, we may be obligated to fund the defense costs incurred by our directors and officers.

FEDERAL INCOME TAX RISKS

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

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

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

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

Legislative or regulatory action could adversely affect our stockholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES
Geographic Distribution

The following table describes the geographic diversification of our consolidated properties as of December 31, 2013:

Markets	Number of Buildings	Percent Owned (1)	Square Feet	Occupancy Percentage (2)	Annualized Base Rent (3)(6)	Percent of Total Annualized Base Rent
CONSOLIDATED OPERATING:			(in thousands)		(in thousands)	
Atlanta	41	100.0%	6,592	92.0%	$ 19,496	8.4%
Baltimore/Washington D.C.	19	100.0%	2,236	88.9%	11,607	5.0%
Charlotte	1	100.0%	472	100.0%	1,604	0.7%
Memphis	8	100.0%	3,712	83.4%	8,006	3.5%
Miami	10	100.0%	1,362	99.0%	9,393	4.1%
Nashville	4	100.0%	2,064	96.5%	5,304	2.3%
New Jersey	14	100.0%	1,926	94.4%	9,718	4.2%
Orlando	20	100.0%	1,864	83.1%	6,169	2.7%
Pennsylvania	14	100.0%	2,828	91.0%	8,929	3.9%
East Segment Subtotal	131	100.0%	23,056	90.7%	80,226	34.8%
Chicago	34	100.0%	6,742	95.4%	22,005	9.5%
Cincinnati	31	100.0%	3,782	93.8%	12,040	5.2%
Columbus	12	100.0%	3,480	87.0%	7,590	3.3%
Dallas	34	100.0%	5,160	97.9%	16,670	7.2%
Houston	43	100.0%	3,256	99.1%	18,969	8.2%
Indianapolis	7	100.0%	2,299	96.4%	7,499	3.2%
Louisville	3	100.0%	1,109	100.0%	3,595	1.6%
Central Segment Subtotal	164	100.0%	25,828	95.3%	88,368	38.2%
Denver	2	100.0%	278	96.5%	1,259	0.5%
Northern California	27	100.0%	3,171	93.1%	16,502	7.1%
Phoenix	17	100.0%	2,025	93.1%	7,727	3.3%
Seattle	12	100.0%	1,599	94.4%	7,827	3.4%
Southern California	42	92.9%	5,939	94.8%	28,352	12.2%
West Segment Subtotal	100	96.8%	13,012	94.1%	61,667	26.5%
Total/weighted average operating properties	395	99.3%	61,896	93.3%	230,261	99.5%
REDEVELOPMENT PROPERTIES:						
New Jersey	1	100.0%	107	0.0%		0.0%
Phoenix	1	100.0%	76	0.0%		0.0%
Total/weighted average redevelopment properties	2	100.0%	183	0.0%		0.0%
DEVELOPMENT PROPERTIES:						
Chicago	1	100.0%	604	0.0%		0.0%
Houston	1	100.0%	267	0.0%		0.0%
Total/weighted average development properties	2	100.0%	871	0.0%		0.0%
HELD FOR SALE PROPERTIES:						
Chicago	1	100.0%	222	100.0%	1,102	0.5%

Total/weighted average	held for sale	1	100.0%	222	100.0%		1,102	0.5%
Total/weighted average	consolidated properties	400	99.3%	63,172	91.8%	$	231,363 (4)	100.0%

(See footnote definitions on next page)

The following table describes the geographic diversification of our investments in unconsolidated properties as of December 31, 2013:

Markets	Number of Buildings	Percent Owned [1]	Square Feet (in thousands)	Occupancy Percentage [2]	Annualized Base Rent [3] (in thousands)	Percent of Total Annualized Base Rent
UNCONSOLIDATED OPERATING PROPERTIES:						
IDI (Chicago, Nashville, Savannah)	3	50.0%	1,423	53.0%	$ 1,631	4.1%
Southern California Logistics Airport [5]	6	50.0%	2,160	99.6%	7,871	20.0%
Total/weighted average unconsolidated operating properties	9	50.0%	3,583	81.1%	9,502	24.1%
OPERATING PROPERTIES IN CO-INVESTMENT VENTURES:						
Atlanta	1	3.6%	491	100.0%	1,753	4.4%
Chicago	2	20.0%	1,033	100.0%	3,238	8.2%
Cincinnati	3	13.6%	892	100.0%	2,977	7.5%
Columbus	2	5.7%	451	100.0%	1,356	3.4%
Dallas	3	15.3%	1,186	100.0%	3,622	9.1%
Denver	5	20.0%	772	95.9%	3,654	9.2%
Indianapolis	1	11.4%	475	96.2%	1,915	4.8%
Louisville	4	10.0%	736	100.0%	1,411	3.6%
Minneapolis	3	3.6%	472	100.0%	2,187	5.5%
Nashville	2	20.0%	1,020	100.0%	2,750	7.0%
Orlando	2	20.0%	696	100.0%	3,265	8.2%
Pennsylvania	1	11.4%	502	100.0%	1,990	5.0%
Total/weighted average co-investment operating properties	29	14.3%	8,726	99.4%	30,118	75.9%
Total/weighted average unconsolidated properties	38	24.7%	12,309	94.1%	$ 39,620	100.0%

(1) Percent owned is based on ownership weighted by square footage, if applicable.
(2) Based on leases commenced as of December 31, 2013.
(3) Annualized base rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease in effect, as of December 31, 2013, multiplied by 12.
(4) Excludes total annualized base rent associated with tenants currently in free rent periods of $9.2 million based on the first month s cash base rent.
(5) Although we contributed 100% of the initial cash equity capital required by the venture, after return of certain preferential distributions on capital invested, profits and losses are generally split 50/50.
(6) Excludes total annualized base rent of $1.7 million from one non-industrial property acquired for future development.

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Lease Expirations

Our industrial properties are typically leased to customers for terms ranging from 3 to 10 years with a weighted average remaining term of approximately 3.3 years as of December 31, 2013. Following is a schedule of expiring leases for our consolidated properties by square feet and by annualized minimum base rent as of December 31, 2013, assuming no exercise of lease renewal:

Year	Number of Leases Expiring	Square Feet Related to Expiring Leases (in thousands)	Percentage of Total Square Feet	Annualized Base Rent of Expiring Leases [1] (in thousands)	Percentage of Total Annualized Base Rent
2014 [2]	178	8,440	14.6%	$ 35,217	13.4%
2015	162	10,199	17.6%	42,062	16.0%
2016	200	10,110	17.4%	44,166	16.9%
2017	143	8,223	14.2%	34,223	13.1%
2018	107	6,621	11.4%	30,394	11.6%
Thereafter	157	14,392	24.8%	75,932	29.0%
Total occupied	947	57,985	100.0%	$ 261,994	100.0%
Available or leased but not occupied		5,187			
Total consolidated properties		63,172			

(1) Includes contractual rent changes.
(2) Includes leases that are on month-to-month terms.

Customer Diversification

As of December 31, 2013, there were no customers that occupied more than 2.3% of our properties based on annualized base rent. The following table reflects our ten largest customers, based on annualized base rent as of December 31, 2013. These ten customers occupy a combined 6.3 million square feet or 10.0% of our consolidated properties.

Customer	Percentage of Annualized Base Rent
Schenker, Inc.	2.3%
Deutsche Post World Net (DHL & Excel)	1.5%
The Clorox Company	1.3%
United Stationers Supply Company	1.1%
The Glidden Company	1.1%
YRC, LLC	1.1%
Bridgestone Corporation	1.0%
Ozburn-Hessey Logistics, L.L.C	0.9%
Genco I, Inc.	0.9%
Iron Mountain	0.9%
Total	12.1%

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

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our properties files bankruptcy and cancels its leases, we could experience a reduction in our revenues and an increase in allowance for doubtful accounts receivable.

We continuously monitor the financial condition of our customers. We communicate often with those customers who have been late on payments or filed bankruptcy. We are not currently aware of any significant financial difficulties of any tenants that would individually cause a material reduction in our revenues, and no customer represents more than 5% of our annual base rent.

Industry Diversification

The table below illustrates the diversification of our consolidated portfolio by the industry classification of our customers based upon their NAICS code as of December 31, 2013 (dollar amounts in thousands):

	Number of Leases	Annualized Base Rent [1]	Percentage of Total Annualized Base Rent	Occupied Square Feet (in thousands)	Percentage of Total Occupied Square Feet
Manufacturing	250	$ 71,230	30.8%	17,138	29.6%
Wholesale Trade	229	48,733	21.1%	12,741	22.0%
Transportation and Warehousing	156	45,548	19.7%	12,726	21.9%
Retail Trade	92	22,992	10.0%	6,667	11.5%
Administrative Support and Waste Management Services	43	9,268	4.0%	2,337	4.0%
Professional, Scientific and Technical Services	55	10,754	4.6%	1,955	3.3%
Media and Information	16	3,963	1.7%	567	1.0%
Rental Companies	15	3,498	1.5%	917	1.6%
Health Care and Social Assistance	11	4,168	1.8%	629	1.1%
Other	80	11,209	4.8%	2,308	4.0%
Total	947	$ 231,363	100.0%	57,985	100.0%

(1) Annualized base rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease in effect, as of December 31, 2013, multiplied by 12.

Indebtedness

As of December 31, 2013, 63 of our 400 consolidated properties, with a combined gross book value of $674.2 million were encumbered by mortgage indebtedness totaling $285.7 million (excluding net premiums). See Notes to Consolidated Financial Statements, Note 5 Outstanding Indebtedness and the accompanying Schedule III beginning on page F-44 for additional information.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

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

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

Quarter ended in 2013:	High	Low
December 31	$ 8.00	$ 6.97
September 30	$ 7.96	$ 6.62
June 30	$ 8.45	$ 6.75
March 31	$ 7.48	$ 6.49

Quarter ended in 2012:	High	Low
December 31	$ 6.61	$ 5.98
September 30	$ 6.89	$ 5.92
June 30	$ 6.39	$ 5.50
March 31	$ 5.93	$ 4.96

On February 14, 2014 the closing price of our common stock was $7.60 per share, as reported on the NYSE and there were 324,266,885 shares of common stock outstanding, held by approximately 2,130 stockholders of record. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

Distribution Policy

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

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

We anticipate that, for U.S. federal income tax purposes, distributions (including certain part cash, part stock distributions) generally will be taxable to our stockholders as ordinary income, although some portion of our distributions may constitute qualified dividend income, capital gains or a return of capital. The tax characterization of dividends paid on our common stock for 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Ordinary income	54.9%	23.5%	29.8%
Return of capital	37.9%	76.5%	63.4%
Capital gains	7.2%	0.0%	6.8%

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The following table sets forth the distributions that have been declared by our board of directors on our common stock during the fiscal years ended December 31, 2013 and 2012:

Amount Declared During Quarter Ended in 2013:	Per Share	Date Paid
December 31,	$ 0.07	January 9, 2014
September 30,	0.07	October 16, 2013
June 30,	0.07	July 17, 2013
March 31,	0.07	April 17, 2013
Total 2013	$ 0.28	

Amount Declared During Quarter Ended in 2012:	Per Share	Date Paid
December 31,	$ 0.07	January 10, 2013
September 30,	0.07	October 17, 2012
June 30,	0.07	July 18, 2012
March 31,	0.07	April 18, 2012
Total 2012	$ 0.28	

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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, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
DCT Industrial Trust Inc.	$ 100.00	$ 99.21	$ 104.94	$ 101.19	$ 128.26	$ 140.91
S&P 500®	$ 100.00	$ 123.45	$ 139.23	$ 139.23	$ 157.90	$ 204.63
MSCI US REIT Index	$ 100.00	$ 128.61	$ 165.23	$ 179.60	$ 211.50	$ 216.73
FTSE NAREIT Equity Industrial Index	$ 100.00	$ 112.17	$ 133.36	$ 126.48	$ 166.05	$ 178.34

Note: The graph covers the period from December 31, 2008 to December 31, 2013 and assumes that $100 was invested in DCT Industrial Trust Inc. common stock and in each index on December 31, 2008 and that all dividends were reinvested.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data relating to our historical financial condition and results of operations for the years ended December 31, 2013, 2012, 2011, 2010 and 2009. Certain amounts presented for the periods ended December 31, 2012, 2011, 2010 and 2009 have been reclassified to conform to the 2013 presentation. 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.

	For the Years Ended December 31,				
	2013	2012	2011	2010	2009
	(amounts in thousands, except per share data and building count)				
Operating Data:					
Rental revenues	$ 286,218	$ 236,839	$ 211,536	$ 190,404	$ 192,669
Total revenues	$ 289,005	$ 240,898	$ 215,827	$ 194,537	$ 195,370
Rental expenses and real estate taxes	$ 80,025	$ 66,390	$ 61,367	$ 58,437	$ 55,826
Property net operating income [5]	$ 206,193	$ 170,449	$ 150,169	$ 131,967	$ 136,843
Total operating expenses	$ 237,741	$ 200,972	$ 189,951	$ 178,400	$ 170,204
Loss from continuing operations	$ (9,251)	$ (28,540)	$ (42,503)	$ (44,618)	$ (34,624)
Income from discontinued operations	$ 26,723	$ 11,800	$ 13,660	$ 1,551	$ 12,911
Gain on dispositions of real estate interests	$ 31	$	$	$ 13	$ 5
Net income (loss) attributable to common stockholders	$ 15,870	$ (15,086)	$ (25,250)	$ (37,830)	$ (18,585)
Earnings per Common Share Basic and Diluted:					
Loss from continuing operations	$ (0.03)	$ (0.10)	$ (0.16)	$ (0.18)	$ (0.16)
Income from discontinued operations	0.08	0.04	0.05	0.00	0.06
Net income (loss) attributable to common stockholders	$ 0.05	$ (0.06)	$ (0.11)	$ (0.18)	$ (0.10)
Weighted average common shares outstanding basic and diluted	298,769	254,831	242,591	212,412	192,900
Amounts Attributable to Common Stockholders:					
Loss from continuing operations	$ (9,250)	$ (25,896)	$ (37,621)	$ (39,212)	$ (29,725)
Income from discontinued operations [1]	25,120	10,810	12,371	1,382	11,140
Net income (loss) attributable to common stockholders	15,870	(15,086)	(25,250)	(37,830)	(18,585)
Distributed and undistributed earnings allocated to participating securities	(692)	(524)	(443)	(480)	(436)
Adjusted net income (loss) attributable to common stockholders	$ 15,178	$ (15,610)	$ (25,693)	$ (38,310)	$ (19,021)
Common Share Distributions:					
Common share cash distributions, declared	$ 85,079	$ 73,200	$ 68,789	$ 60,110	$ 59,364
Common share cash distributions, declared per share	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.30
Other Data:					
Consolidated operating square feet	61,896	58,132	58,099	56,652	52,910
Consolidated operating buildings	395	399	408	390	375
Total consolidated buildings square feet	63,172	61,410	58,255	57,777	56,847
Total consolidated buildings	400	409	409	398	394

(See footnote definitions on pages 31-32)

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	For the Years Ended December 31, 2013	2012	2011	2010	2009
	(amounts in thousands, except per share data and building count)				
Balance Sheet Data:					
Net investment in real estate	$ 3,141,877	$ 2,910,613	$ 2,711,027	$ 2,647,186	$ 2,576,410
Total assets	$ 3,265,963	$ 3,057,199	$ 2,793,298	$ 2,719,889	$ 2,644,292
Senior unsecured notes	$ 1,122,407	$ 1,025,000	$ 935,000	$ 786,000	$ 625,000
Mortgage notes	$ 290,960	$ 317,314	$ 317,783	$ 425,359	$ 511,715
Total liabilities	$ 1,598,771	$ 1,583,640	$ 1,389,183	$ 1,319,051	$ 1,220,659
Cash Flow Data:					
Net cash provided by operating activities	$ 152,893	$ 118,956	$ 106,482	$ 91,002	$ 109,749
Net cash used in investing activities	$ (301,058)	$ (299,138)	$ (177,823)	$ (138,334)	$ (17,673)
Net cash provided by (used in) financing activities	$ 167,695	$ 180,044	$ 66,845	$ 45,542	$ (92,637)
Funds From Operations: (2)					
Net income (loss) attributable to common stockholders	$ 15,870	$ (15,086)	$ (25,250)	$ (37,830)	$ (18,585)
Adjustments:					
Real estate related depreciation and amortization	137,120	126,687	128,989	115,904	111,250
Equity in (earnings) loss of unconsolidated joint ventures, net	(2,405)	(1,087)	2,556	2,986	(2,698)
Equity in FFO of unconsolidated joint ventures	10,152	10,312	4,732	4,001	11,807
Loss on business combinations				395	10,325
Impairment losses on depreciable real estate (4)	13,279	11,422	10,160	8,012	681
Gain on dispositions of real estate interests	(33,650)	(13,383)	(12,030)	(2,091)	(1,354)
Gain on dispositions of non-depreciable real estate	31			13	783
Noncontrolling interest in the operating partnership s share of the above adjustments	(8,211)	(12,522)	(14,252)	(13,426)	(17,907)
FFO attributable to unitholders	8,437	9,743	9,901	8,678	14,881
FFO attributable to common stockholders and unitholders basic and diluted	140,623	116,086	104,806	86,642	109,183
Adjustments:					
Impairment losses on non-depreciable real estate (3)				3,992	300
Debt modification costs				1,136	
Acquisition costs (3)	3,578	1,975	1,902	1,228	
FFO, as adjusted, attributable to common stockholders and unitholders, basic and diluted (2):	$ 144,201	$ 118,061	$ 106,708	$ 92,998	$ 109,483
FFO per common share and unit basic and diluted	$ 0.44	$ 0.41	$ 0.39	$ 0.36	$ 0.48
FFO as adjusted, per common share and unit basic and diluted (2)(4):	$ 0.45	$ 0.42	$ 0.40	$ 0.39	$ 0.49
FFO weighted average common shares and units outstanding:					
Common shares	298,769	254,831	242,591	212,412	192,900
Participating securities	2,462	1,896	1,601	1,689	1,535
Units	19,079	23,358	25,310	26,351	30,660
FFO weighted average common shares, participating securities and units outstanding basic:	320,310	280,085	269,502	240,452	225,095
Dilutive common stock equivalents	893	623	449	357	189
FFO weighted average common shares and units outstanding diluted:	321,203	280,708	269,951	240,809	225,284

(See footnote definitions on pages 31-32)

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The following table is a reconciliation of our property net operating income, or NOI, to our reported Loss From Continuing Operations for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 (in thousands):

	For the Years Ended December 31,				
	2013	2012	2011	2010	2009
Property NOI [5]	$ 206,193	$ 170,449	$ 150,169	$ 131,967	$ 136,843
Institutional capital management and other fees	2,787	4,059	4,291	4,133	2,701
Impairment losses				(4,100)	
Real estate related depreciation and amortization	(130,002)	(109,993)	(103,333)	(91,129)	(86,407)
Casualty and involuntary conversion gain	296	1,174			
Development profit	268	307			
General and administrative	(28,010)	(25,763)	(25,251)	(24,733)	(27,971)
Impairment losses on investments in unconsolidated joint ventures			(1,953)	(216)	(300)
Loss on business combination				(395)	(10,325)
Equity in earnings (loss) of unconsolidated joint ventures, net	2,405	1,087	(2,556)	(2,986)	2,698
Interest expense	(63,394)	(69,274)	(63,645)	(56,272)	(52,053)
Interest and other income (expense)	274	85	(93)	(235)	1,584
Income tax benefit (expense) and other taxes	(68)	(671)	(132)	(652)	(1,394)
Loss from continuing operations	$ (9,251)	$ (28,540)	$ (42,503)	$ (44,618)	$ (34,624)

(1) Includes gain on dispositions of real estate interests.

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

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(3) Excluding amounts attributable to noncontrolling interests.

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

(5) Property net operating income, or property NOI, is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes depreciation, amortization, impairment, casualty gains, general and administrative expenses, loss on business combinations and interest expense. 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 property such as depreciation, amortization, impairment, general and administrative expenses, interest income and interest expense. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

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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 that owns, operates and develops high-quality bulk distribution and light industrial properties in high-volume distribution markets in the United States. DCT is the sole general partner of, and as of December 31, 2013 owned an approximate 94.8% ownership interest in DCT Industrial Operating Partnership L.P., a Delaware limited partnership.

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO, as defined on pages 31-32, the 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 high quality acquisitions and development opportunities which meet our asset, location and financial criteria; and
- recycle capital by selling assets that no longer fit our investment criteria and reinvesting the proceeds into higher growth opportunities.

Outlook

We seek to maximize long-term earnings growth and value within the context of overall economic conditions, primarily through increasing occupancy, rents and operating income at existing properties and acquiring and developing high-quality properties with attractive operating income and value growth prospects.

Fundamentals for industrial real estate continue to improve in response to general improvement in the economy as well as trends that particularly favor industrial assets, including the growth of e-commerce and United States based manufacturing. We expect moderate economic growth to continue throughout 2014, which should result in continued positive demand for warehouse space as companies expand and upgrade their distribution and production platforms.

In response to positive net absorption and lower market vacancy levels, rental rates are increasing in most of our markets, although they generally remain below peak levels. Rental concessions, such as free rent, have also declined in all markets. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed in 2014 to be higher than the rates on expiring leases. As positive net absorption of warehouse space continues, we expect the rental rate environment to continue to improve.

New development has begun to increase in certain markets where fundamentals have improved, however construction is below current levels of net absorption in most markets and well below peak levels. We expect that the operating environment will continue to be favorable for landlords with meaningful improvement of rental and occupancy rates.

For DCT Industrial, we expect same store net operating income to be higher in 2014 than it was in 2013, primarily as a result of higher occupancy in 2014 and the impact of increasing rental rates on leases signed in 2014 compared to expiring leases.

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

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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 on page 49 for additional discussion.

Inflation

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

Summary of Significant Transactions During 2013

Significant transactions for the year ended December 31, 2013

Acquisitions

During the year ended December 31, 2013, we acquired 38 buildings totaling approximately 7.1 million square feet. These properties were acquired for a total purchase price of $359.5 million, excluding our existing ownership of 3.6% in the seven properties previously held by TRT-DCT Venture I (see Notes to the Consolidated Financial Statements, Note 4 Investment in and Advances to Unconsolidated Joint Ventures for further detail).

During the year ended December 31, 2013, we acquired five land parcels for future development which total approximately 128.6 acres located in the Southern California, Seattle, Miami, and Houston markets for a total purchase price of $40.5 million.

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Development Activities

During 2013, we continued to expand our development activities. The table below represents a summary of our consolidated development activity as of December 31, 2013:

Project	Market	Acres	Number of Buildings	Square Feet (in thousands)	Percent Owned	Cumulative Costs at 12/31/2013 (in thousands)	Projected Investment (in thousands)	Completion Date [(1)]	Percent Leased
Development Activities									
Projects in Lease Up									
DCT Airtex Industrial Center	Houston	13	1	267	100%	$ 12,161	$ 14,983	Q4-2013	100%
DCT 55	Chicago	33	1	604	100%	26,218	28,318	Q4-2012	66%
	Total	**46**	**2**	**871**	**100%**	**$ 38,379**	**$ 43,301**		**77%**
Under Construction									
DCT Beltway Tanner Business Center	Houston	11	1	133	100%	$ 10,201	$ 15,153	Q1-2014	0%
8th & Vineyard B	So. California	4	1	99	91%	5,243	6,197	Q1-2014	0%
DCT Summer South Distribution Center	Seattle	9	1	188	100%	9,194	13,060	Q1-2014	0%
DCT White River Corporate Center Phase I	Seattle	30	1	649	100%	23,051	42,433	Q2-2014	0%
Slover Logistics Center II	So. California	28	1	610	100%	24,241	37,496	Q1-2014	100%
DCT Auburn 44	Seattle	3	1	49	100%	3,341	4,547	Q1-2014	100%
DCT Rialto Logistics Center	So. California	42	1	928	100%	21,480	59,523	Q3-2014	0%
	Total	**127**	**7**	**2,656**	**100%**	**$ 96,751**	**$ 178,409**		**25%**
Build-to-Suit for Sale									
8th & Vineyard A	So. California	6	1	130	91%	$ 7,773	$ 8,703	Q1-2014	N/A
	Total	**6**	**1**	**130**	**91%**	**$ 7,773**	**$ 8,703**		
Total Development Activities		**179**	**10**	**3,657**	**99%**	**$ 142,903**	**$ 230,413**		**38%**

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

Construction was completed during the second quarter of 2013 on the Dulles Summit build-to-suit project. We recognized development profits, net of tax of approximately $0.3 million for the year ended December 31, 2013 related to the development of the Dulles Summit build-to-suit project. As of December 31, 2013, we had one build-to-suit for sale project, 8th and Vineyard A, under contract. Due to the terms of the contract, timing of payments and the sale recognition criteria of GAAP, no profit was recognized in 2013. The construction and sale were completed in January 2014, at which time the development profit was recognized.

Dispositions

During the year ended December 31, 2013, we sold 51 operating properties, totaling approximately 6.8 million square feet, to third-parties for combined gross proceeds of approximately $265.8 million. This included the disposition of DCT s entire portfolio of Mexico assets consisting of 15 buildings totaling 1.7 million square feet, for gross proceeds of approximately $82.7 million.

We recognized gains of approximately $33.6 million on the disposition of 36 operating properties and recognized an impairment loss of approximately $13.3 million on the disposition of a portfolio in Dallas.

Significant Activity with Joint Ventures

During May 2013, we purchased the remaining 96.4% interest in seven properties from TRT-DCT JV I for additional consideration of $82.8 million. Additionally, we sold one of the properties during 2013 and the remaining six properties were consolidated as of December 31, 2013.

Debt Activity

During February 2013, we entered into an amendment with our syndicated bank group whereby we extended and increased our existing $175.0 million senior unsecured term loan to $225.0 million for a period of five years, extended our existing $300.0 million senior unsecured line of credit for a period of four years and received a commitment for an additional $175.0 million senior unsecured term loan with a term of two years. We closed on the additional $175.0 million in March 2013, which was used to refinance a scheduled June 2013 maturity of $175.0 million of other senior unsecured debt.

During October 2013, the operating partnership issued $275.0 million aggregate principal amount of 4.50% senior notes due 2023 at 99.038% of face value in a private placement for net proceeds of approximately $269.6 million after offering costs. We primarily used the net proceeds to repay a $15.9 million mortgage note that was scheduled to mature in October 2013, a $50.0 million senior unsecured note that was scheduled to mature in January of 2014 and our $175.0 million senior unsecured term loan that was scheduled to mature in February 2015, which were pre-payable without prepayment penalties.

Equity activity

On May 29, 2013, we registered a third continuous equity offering program, to replace our continuous equity offering program previously registered on November 20, 2012. Pursuant to this offering, we may sell up to 20 million shares of common stock from time-to-time through May 29, 2016 in at-the-market offerings or certain other transactions. During the year ended December 31, 2013, we issued approximately 13.8 million shares through the second and third continuous equity offering programs at an average price of $7.37 per share for proceeds of $100.4 million, net of offering expenses. The proceeds from the sale of shares were used for general corporate purposes, including funding acquisitions and repaying debt. As of December 31, 2013, 16.6 million shares remain available to be issued under the current offering.

On August 13, 2013, we issued 23.0 million shares of common stock in a public offering at a price of $7.20 per share for proceeds of $158.2 million, net of offering expenses.

Critical Accounting Policies and Estimates

General

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

Revenue Recognition

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for customer 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 customers that we expect to collect over the remaining lease term, which are recorded as a straight-line rent receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation.

Tenant recovery income includes payments and amounts due from customers pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as Rental revenues during the same period the related expenses are incurred.

We maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. This estimate requires significant judgment related to the lessees ability to fulfill their obligations under the leases. If a customer is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods.

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

Capitalization of Costs

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

Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rates in effect during the period. We also capitalize interest on our qualifying investments in unconsolidated joint ventures based on the average capital invested in a venture during the period when the venture has activities in progress necessary to commence its planned principal operations, at our weighted average borrowing rate during the period. A qualifying investment is an investment in an unconsolidated joint venture provided that our investee s activities include the use of funds to acquire qualifying assets, such as development or predevelopment activities, and planned principal operations have not commenced.

Investment in Properties

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

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

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

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

Impairment of Properties

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

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

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

Investments in properties classified as held for sale are recorded at the lower of their carrying amount or fair value (typically estimated based on the contracted sales price) less costs to sell. Impairment of assets held for sale is a component of Income from discontinued operations in the Consolidated Statements of Operations and is further detailed in Notes to Consolidated Financial Statements Note 15 Discontinued Operations and Assets Held for Sale.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

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

Results of Operations

Summary of the year ended December 31, 2013 compared to the year ended December 31, 2012

As of December 31, 2013, the Company owned interests in, managed or had under development approximately 75.5 million square feet of properties leased to approximately 900 customers, including 12.3 million square feet of unconsolidated properties on behalf of four institutional capital management joint venture partners and we consolidated 395 operating properties, two redevelopment properties, two development properties and one property which was held for sale. As of December 31, 2012, we consolidated 399 operating properties, four redevelopment properties, three development properties and three properties which were held for sale.

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Comparison of the year ended December 31, 2013 to the year ended December 31, 2012

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income (loss) and other expenses for the year ended December 31, 2013 compared to the year ended December 31, 2012. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods for which the operations had been stabilized. We generally consider buildings stabilized when occupancy reaches 90%. Non-same store operating properties include properties not meeting the same-store criteria and exclude development and redevelopment properties. The same store portfolio for the periods presented totaled 321 operating properties and was comprised of 48.6 million square feet. A discussion of these changes follows the table (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	$ Change	Percent Change
Rental Revenues				
Same store, excluding revenues related to early lease terminations	$ 233,191	$ 226,927	$ 6,264	2.8%
Non-same store operating properties	51,073	9,175	41,898	456.7%
Development and redevelopment	652	185	467	252.4%
Revenues related to early lease terminations	1,302	552	750	135.9%
Total rental revenues	286,218	236,839	49,379	20.8%
Rental Expenses and Real Estate Taxes				
Same store	67,010	63,908	3,102	4.9%
Non-same store operating properties	12,784	2,249	10,535	468.4%
Development and redevelopment	231	233	(2)	-0.9%
Total rental expenses and real estate taxes	80,025	66,390	13,635	20.5%
Property Net Operating Income [(1)]				
Same store, excluding revenues related to early lease terminations	166,181	163,019	3,162	1.9%
Non-same store operating properties	38,289	6,926	31,363	452.8%
Development and redevelopment	421	(48)	469	977.1%
Revenues related to early lease terminations	1,302	552	750	135.9%
Total property net operating income	206,193	170,449	35,744	21.0%
Other Revenue and Other Income (Loss)				
Development profit	268	307	(39)	-12.7%
Institutional capital management and other fees	2,787	4,059	(1,272)	-31.3%
Equity in earnings of unconsolidated joint ventures, net	2,405	1,087	1,318	121.3%
Interest and other income	274	85	189	222.4%
Casualty and involuntary conversion gain	296	1,174	(878)	-74.8%
Total other revenue and other income	6,030	6,712	(682)	-10.2%
Other Expenses				
Real estate related depreciation and amortization	130,002	109,993	20,009	18.2%
Interest expense	63,394	69,274	(5,880)	-8.5%
General and administrative	28,010	25,763	2,247	8.7%
Income tax expense and other taxes	68	671	(603)	-89.9%
Total other expenses	221,474	205,701	15,773	7.7%

Income from discontinued operations	26,723	11,800	14,923	126.5%
Net (income) loss attributable to noncontrolling interests	(1,602)	1,654	(3,256)	-196.9%
Net loss attributable to common stockholders	$ 15,870	$ (15,086)	$ 30,956	205.2%

(1) For a discussion as to why we view property net operating income to be an appropriate supplemental performance measure and a reconciliation of our property net operating income to our reported Loss from Continuing Operations, see pages 31-32, above.

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Rental Revenues and Leasing Activity

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, other rental revenues and early lease termination fees, increased $49.4 million for the year ended December 31, 2013 compared to the same period in 2012, primarily due to the following changes:

- $43.1 million increase in our non-same store rental revenues including development and redevelopment properties, primarily as a result of an increase in the number of properties and an increase in average occupancy year over year. Since December 31, 2012, we acquired 38 operating properties, six properties for development and completed development of five properties.

- $6.3 million increase in total revenue in our same store portfolio due primarily to the following:

  - $6.7 million increase in base rent primarily resulting from increased rental rates and a 100 basis point increase in average occupancy year over year;

  - $3.2 million increase in operating expense recoveries related to a higher average occupancy; and

  - $1.3 million increase in other rental revenues primarily related to increases in amortization of below market rent and other rents; which was partially offset by

  - $5.0 million decrease in straight-line rental revenue as a result of fewer rent concessions.

The following table illustrates the components of our consolidated rental revenues for the years ended December 31, 2013 and 2012 (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	$ Change
Base rent	$ 212,045	$ 176,798	$ 35,247
Straight-line rent	5,335	6,254	(919)
Amortization of above and below market rent intangibles	1,581	826	755
Tenant recovery income	63,829	51,695	12,134
Other rental income	2,126	714	1,412
Revenues related to early lease terminations	1,302	552	750
Total rental revenues	$ 286,218	$ 236,839	$ 49,379

The following table provides a summary of our leasing activity for the year ended December 31, 2013:

	Number of Leases Signed	Square Feet Signed [1]	Net Effective Rent Per Square Foot [2]	GAAP Basis Rent Growth [3]	Weighted Average Lease Term [4]	Turnover Costs Per Square Foot [5]	Weighted Average Retention [6]

		(in thousands)			(in months)		
Year to date 2013	299	13,836	$ 4.37	6.60%	53	$ 1.77	72.0%

(1) Excludes month to month leases.

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

(3) GAAP basis rent growth is an annual ratio of the change in net effective rent (including straight-line rent adjustments as required by GAAP) compared to the net effective rent of the comparable lease. Leases where there were no prior comparable leases, due to extended downtime, or materially different lease structures and short-term lease of less than 12 months, are excluded.

(4) The lease term is in months. 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. Turnover costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and does not reflect actual expenditures for the period.

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

During the year ended December 31, 2013, we signed 102 leases with free rent, which were for 5.8 million square feet of property with total concessions of $6.6 million.

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased $13.6 million for the year ended December 31, 2013 compared to the same period in 2012, primarily due to:

- $10.5 million increase in rental expenses and real estate taxes related to the properties acquired and development and redevelopment properties placed into operation during the period ended December 31, 2013; and

- $3.1 million increase in rental expenses and real estate taxes year over year in our same store portfolio, which was primarily due to increases in property taxes, snow removal, management fees and bad debt expense.

Other Revenue and Other Income (Loss)

Total other revenue and other income (loss) decreased $0.7 million for the year ended December 31, 2013 as compared to the same period in 2012, primarily due to:

- $1.3 million decrease in institutional capital management fees as a result of a decrease in assets under management due to the sale of properties from our unconsolidated joint ventures; and

- $0.9 million decrease in casualty gains related to amounts received from insurance companies during 2012 for casualty events at certain properties; partially offset by

- $1.3 million increase in equity in earnings of unconsolidated joint ventures primarily as a result of an increase in occupancy in three of our joint ventures.

Other Expenses

Other expenses increased $15.8 million for the year ended December 31, 2013 as compared to the same period in 2012, primarily as a result of:

- $20.0 million increase in depreciation and amortization expense, resulting from real estate acquisitions and capital additions; and

- $2.2 million increase in general and administrative expenses primarily related to higher acquisition costs and personnel costs, partially offset by an increase in capitalized overhead as a result of increased development, leasing and other capital activities; partially offset by

- $5.9 million decrease in interest expense as a result of the $175.0 million term loan paid down in March 2013, lower borrowings on our revolving line of credit, hedging ineffectiveness of $0.7 million during 2012 and an increase in capitalized interest in 2013 related to increased development activities.

Income from Discontinued Operations

Income from discontinued operations increased $14.9 million for the year ended December 31, 2013 as compared to the same period in 2012. This increase is primarily related to the gain on dispositions totaling $33.6 million partially offset by impairment charges of $13.3 million recorded on sales of properties during 2013, as compared to gain on dispositions totaling $13.4 million partially offset by impairment charges of $11.4 million recorded on sales of properties during 2012. Additionally, the increase was offset by lower operating and other income from properties sold or held for sale in 2013 compared to 2012.

Summary of the year ended December 31, 2012 compared to the year ended December 31, 2011

As of December 31, 2012, we consolidated 399 operating properties, four redevelopment properties, three development properties and three properties which were held for sale. As of December 31, 2011, we consolidated 408 operating properties and one redevelopment property.

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Comparison of the year ended December 31, 2012 to the year ended December 31, 2011

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income (loss) and other expenses for the year ended December 31, 2012 compared to the year ended December 31, 2011. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods for which the operations had been stabilized. We generally consider buildings stabilized when occupancy reaches 90%. The same store portfolio for the periods presented totaled 288 buildings comprised of approximately 44.6 million square feet. A discussion of these changes follows the table (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011	$ Change	Percent Change
Rental Revenues				
Same store, excluding revenues related to early lease terminations	$ 203,850	$ 199,023	$ 4,827	2.4%
Non-same store operating properties	32,252	11,899	20,353	171.0%
Development and redevelopment	185		185	100.0%
Revenues related to early lease terminations	552	614	(62)	-10.1%
Total rental revenues	236,839	211,536	25,303	12.0%
Rental Expenses and Real Estate Taxes				
Same store	57,486	57,344	142	0.2%
Non-same store operating properties	8,672	3,882	4,790	123.4%
Development and redevelopment	232	141	91	64.5%
Total rental expenses and real estate taxes	66,390	61,367	5,023	8.2%
Property Net Operating Income (1)				
Same store, excluding revenues related to early lease terminations	146,364	141,679	4,685	3.3%
Non-same store operating properties	23,580	8,017	15,563	194.1%
Development and redevelopment	(47)	(141)	94	66.7%
Revenues related to early lease terminations	552	614	(62)	-10.1%
Total property net operating income	170,449	150,169	20,280	13.5%
Other Revenue and Other Income (Loss)				
Development profit	307		307	100.0%
Institutional capital management and other fees	4,059	4,291	(232)	-5.4%
Equity in earnings (loss) of unconsolidated joint ventures, net	1,087	(2,556)	3,643	142.5%
Interest and other income (expense)	85	(93)	178	191.4%
Casualty and involuntary conversion gain	1,174		1,174	100.0%
Total other revenue and other income	6,712	1,642	5,070	308.8%
Other Expenses				
Real estate related depreciation and amortization	109,993	103,333	6,660	6.4%
Interest expense	69,274	63,645	5,629	8.8%
General and administrative	25,763	25,251	512	2.0%
Impairment losses on investments in unconsolidated joint ventures		1,953	(1,953)	-100.0%
Income tax expense and other taxes	671	132	539	408.3%
Total other expenses	205,701	194,314	11,387	5.9%

Income from discontinued operations	11,800	13,660	(1,860)	-13.6%
Net loss attributable to noncontrolling interests	1,654	3,593	(1,939)	-54.0%
Net loss attributable to common stockholders	$ (15,086)	$ (25,250)	$ 10,164	40.3%

(1) For a discussion as to why we view property net operating income to be an appropriate supplemental performance measure and a reconciliation of our property net operating income to our reported Loss from Continuing Operations, see pages 31-32, above.

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Rental Revenues

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, early lease termination fees and other rental revenues, increased $25.3 million for the year ended December 31, 2012 compared to the same period in 2011, primarily due to the following changes:

- $20.5 million increase in our non-same store rental revenues including development and redevelopment properties, primarily as a result of an increase in the number of properties and an increase in average occupancy year over year. Since December 31, 2011, we acquired 29 operating properties, four redevelopment properties and completed development or redevelopment of three properties.

- $4.8 million increase in total revenue in our same store portfolio due primarily to the following:

  - $4.8 million increase in base rent primarily resulting from increased rental rates and a 140 basis point increase in average occupancy year over year; and

  - $3.5 million increase in operating expense recoveries related to a higher average occupancy; which was partially offset by

  - $3.2 million decrease in straight-line rental revenue as a result of fewer rent concessions; and

  - $0.2 million decrease in early lease termination fees.

The following table illustrates the components of our consolidated rental revenues for the years ended December 31, 2012 and 2011 (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011	$ Change
Base rent	$ 176,798	$ 157,885	$ 18,913
Straight-line rent	6,254	8,301	(2,047)
Amortization of above and below market rent intangibles	826	387	439
Tenant recovery income	51,695	43,579	8,116
Other rental income	714	770	(56)
Revenues related to early lease terminations	552	614	(62)
Total rental revenues	$ 236,839	$ 211,536	$ 25,303

The following table provides a summary of our leasing activity for the year ended December 31, 2012:

	Number of Leases Signed	Square Feet Signed [(1)] (in thousands)	Net Effective Rent Per Square Foot [(2)]	GAAP Basis Rent Growth [(3)]	Weighted Average Lease Term [(4)] (in months)	Turnover Costs Per Square Foot [(5)]	Weighted Average Retention [(6)]

Year to date 2012	305	15,492	$	3.81	4.60%	56	$	1.83	73.4%

(1) Excludes month to month leases.

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

(3) GAAP basis rent growth is an annual ratio of the change in net effective rent (including straight-line rent adjustments as required by GAAP) compared to the net effective rent of the comparable lease. Leases where there were no prior comparable leases, due to extended downtime, or materially different lease structures and short-term lease of less than 12 months, are excluded.

(4) The lease term is in months. Assumes no exercise of lease renewal options, if any.

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(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. Turnover costs per square foot represent the total turnover costs expected to be incurred on the leases signed during the period and does not reflect actual expenditures for the period.

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

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased $5.0 million for the year ended December 31, 2012 compared to the same period in 2011, primarily due to a $4.9 million increase in rental expenses and real estate taxes related to the properties acquired and development and redevelopment properties placed into operation during the period.

Other Revenue and Other Income (Loss)

Total other revenue and other income (loss) increased $5.1 million for the year ended December 31, 2012 as compared to the same period in 2011, primarily due to:

- $3.6 million increase in equity in earnings (loss) of unconsolidated joint ventures primarily as a result of an increase in occupancy in two of our joint ventures, as well as gains recognized on the sale of two properties in our joint ventures; and

- $1.2 million increase in casualty gains related to amounts received from insurance companies subsequent to December 31, 2012 for casualty events at certain properties.

Other Expenses

Other expenses increased $11.4 million for the year ended December 31, 2012 as compared to the same period in 2011, primarily as a result of:

- $6.7 million increase in real estate depreciation and amortization expense resulting from real estate acquisitions and capital additions;

- $5.6 million increase in interest expense primarily related to higher average borrowings and $0.7 million related to hedge ineffectiveness recognized during the year ended December 31, 2012 related to our settled hedge liability (see Notes to the Consolidated Financial Statements Note 6 Financial Instruments and Hedging Activities for further detail related to the hedge activity); and

- $0.5 million increase in general and administrative expenses, primarily related to an increase in acquisition costs for the increased number of properties acquired during 2012; which were partially offset by

- $2.0 million decrease in impairment losses on unconsolidated joint ventures related to an impairment recorded in 2011 on a property sold in an unconsolidated joint venture.

Income from Discontinued Operations

Income from discontinued operations decreased $1.9 million for the year ended December 31, 2012 as compared the same period in 2011. This change is primarily the result of a casualty gain recorded in 2011 on a property subsequently sold as well as higher net gains on properties sold in 2011.

Segment Summary for the years ended December 31, 2013, 2012 and 2011

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 (see Item 2: Properties for a listing of our properties by market broken into our reportable segments). We consider rental

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revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. Certain reclassifications have been made to prior year results to conform to the current presentation related to discontinued operations. The following segment disclosures exclude the results from discontinued operations (see Notes to the Consolidated Financial Statements, Note 15 Discontinued Operations and Assets Held for Sale for additional information):

	As of December 31,				Year Ended December 31,	
	Number of buildings	Square feet	Occupancy at period end	Segment assets [1]	Rental revenues [2]	Property net operating income [3]
EAST:						
2013	132	23,163	90.3%	$ 1,026,416	$ 95,682	$ 69,853
2012	117	19,651	86.0%	$ 875,845	$ 82,909	$ 60,666
2011	110	18,970	89.0%	$ 936,305	$ 79,920	$ 58,212
CENTRAL:						
2013	166	26,699	92.2%	$ 1,034,814	$ 111,017	$ 76,327
2012	151	23,663	90.8%	$ 1,107,561	$ 90,037	$ 61,800
2011	137	20,367	90.7%	$ 1,021,956	$ 76,376	$ 50,660
WEST:						
2013	101	13,088	93.6%	$ 1,018,246	$ 79,519	$ 60,013
2012	90	11,456	97.2%	$ 863,003	$ 63,893	$ 47,983
2011	78	10,042	91.3%	$ 669,591	$ 55,240	$ 41,297

(1) Segment assets include all assets comprising operating properties included in a segment, less non-segment cash and cash equivalents, other non-segment assets, and assets held for sale. The prior year segment assets are not restated for current year discontinued operations.

(2) Segment rental revenues include operating properties and development properties. Revenues from properties which were held for sale or sold are included in discontinued operations and are not included in these results.

(3) For a discussion as to why we view property net operating income to be an appropriate supplemental performance measure and a reconciliation of our property net operating income to our reported Loss from Continuing Operations, see pages 31-32, above.

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

	December 31, 2013	December 31, 2012	December 31, 2011
Segments:			
East assets	$ 1,026,416	$ 875,845	$ 936,305
Central assets	1,034,814	1,107,561	1,021,956
West assets	1,018,246	863,003	669,591
Total segment net assets	3,079,476	2,846,409	2,627,852
Non-segment assets:			
Non-segment cash and cash equivalents	25,671	8,653	11,624
Other non-segment assets [1]	152,620	149,285	153,822
Assets held for sale	8,196	52,852	
Total assets	$ 3,265,963	$ 3,057,199	$ 2,793,298

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

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East Segment

East Segment assets increased by approximately $150.6 million in 2013 due to the acquisition of 13 properties and completion of development of two operating properties since December 31, 2012.

East Segment assets decreased by approximately $60.5 million in 2012 due to the disposition of 20 properties, partially offset by the acquisition of seven properties and the completion of the development of two properties since December 31, 2011.

East Segment property NOI, after reclassification for discontinued operations, increased approximately $9.2 million, for the year ended December 31, 2013 as compared to the same period in 2012 primarily as a result of:

$12.8 million increase in rental revenues, of which $6.7 million is attributed to property acquisitions and $6.1 million is attributed to increased occupancy and higher rental revenues at existing properties; which was partially offset by

$3.6 million increase in operating expenses primarily comprised of increased property taxes, property insurance and maintenance.

East Segment property NOI, after reclassification for discontinued operations, increased approximately $2.5 million, for the year ended December 31, 2012 as compared to the same period in 2011 primarily as a result of:

$3.0 million increase in rental revenues, of which $0.9 million is attributed to property acquisitions and $2.1 million is attributed to increased occupancy and higher rental revenues at existing properties; which was partially offset by

$0.5 million increase in operating expenses primarily comprised of increased property taxes, property insurance and maintenance primarily due to property acquisitions.

Central Segment

Central Segment assets decreased by approximately $72.7 million in 2013 due to the disposition of 47 properties, including the disposition of our entire portfolio in Mexico consisting of 15 properties, partially offset by the acquisition of 14 properties and completion of development of one property since December 31, 2012.

Central Segment assets increased by approximately $85.6 million in 2012 due to the acquisition of 12 properties and completion of development of one property, partially offset by the disposition of 16 properties since December 31, 2011.

Central Segment property NOI, after reclassification for discontinued operations, increased approximately $14.5 million, for the year ended December 31, 2013 as compared to the same period in 2012 primarily as a result of:

$21.0 million increase in rental revenues, of which $3.7 million is attributed to property acquisitions and $17.3 million is attributed to an increase in occupancy and higher rental revenues at existing properties; which was partially offset by

- $6.5 million increase in operating expenses primarily comprised of increased property taxes, property insurance primarily due to property acquisitions and an increase in bad debt related to a tenant default.

Central Segment property NOI, after reclassification for discontinued operations, increased approximately $11.1 million, for the year ended December 31, 2012 as compared to the same period in 2011 primarily as a result of:

- $13.7 million increase in rental revenues, of which $3.7 million is attributed to property acquisitions and $10.0 million is attributed to an increase in occupancy and higher rental revenues at existing properties; which was partially offset by

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- $2.6 million increase in operating expenses primarily comprised of increased property taxes and property insurance primarily due to property acquisitions.

West Segment

- West Segment assets increased by approximately $155.2 million in 2013 due to the acquisition of 11 properties and completion of development of one property, partially offset by the disposition of one property since December 31, 2012.

- West Segment assets increased by approximately $193.4 million in 2012 due to the acquisition of 12 properties since December 31, 2011.

- West Segment property NOI, after reclassification for discontinued operations, increased approximately $12.0 million, for the year ended December 31, 2013 as compared to the same period in 2012 primarily as a result of:

  - $15.6 million increase in rental revenues, of which $2.9 million is attributed to property acquisitions and $12.7 million which is attributed to an increase in occupancy and higher rental revenues at existing properties; which was partially offset by

  - $3.6 million increase in operating expenses primarily comprised of increased property taxes and property insurance.

- West Segment property NOI, after reclassification for discontinued operations, increased approximately $6.7 million, for the year ended December 31, 2012 as compared to the same period in 2011 primarily as a result of:

  - $8.7 million increase in rental revenues, of which $2.2 million is attributed to property acquisitions and $6.5 million is attributed to an increase in occupancy and higher rental revenues at existing properties; which was partially offset by

  - $2.0 million increase in operating expenses primarily comprised of increased property taxes and property insurance.

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.

Our sources of capital will be used to meet our liquidity requirements and capital commitments, including operating activities, debt service obligations, equityholder distributions, capital expenditures at our properties, development funding requirements and future acquisitions. We expect to utilize the same sources of capital to meet our short-term and long-term liquidity requirements.

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Cash Flows

Year ended December 31, 2013 compared to year ended December 31, 2012

Cash and cash equivalents were $32.2 million and $12.7 million as of December 31, 2013 and December 31, 2012, respectively.

The table below summarizes our cash flow activity for the years ended December 31, 2013 and 2012 (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Change
Net cash provided by operating activities	$ 152,893	$ 118,956	$ 33,937
Net cash used in investing activities	$ (301,058)	$ (299,138)	$ (1,920)
Net cash provided by financing activities	$ 167,695	$ 180,044	$ (12,349)

Net cash provided by operating activities increased $33.9 million primarily due to an increase in property net operating income, as a result of an increase in occupancy and rental rates (see Rental Revenues and Leasing Activity on page 41 for further details), and an increase in accounts payable, accrued expenses and other liabilities, and a decrease in straight-line rent due to fewer rent concessions.

Net cash used in investing activities increased $1.9 million primarily due to an increase in real estate acquisitions of $42.7 million, a $20.7 million decrease in distributions of investments in unconsolidated joint ventures resulting from the sale of three properties in our unconsolidated joint ventures in 2012 and an increase of cash outflows related to capital expenditures of $56.8 million as reflected in the table below. These activities were partially offset by an increase in dispositions of $104.5 million and a decrease in investments in unconsolidated joint ventures of $16.7 million.

Going forward, we will 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 Development Activities on page 35 for further details regarding projected investment of our current development activities as well as cumulative costs incurred during the year ended December 31, 2013. Our total capital expenditures for the years ended December 31, 2013 and 2012 were comprised of the following (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	$ Change
Development	$ 107,950	$ 46,701	$ 61,249
Redevelopment	5,948	3,319	2,629
Due diligence and other	9,209	4,782	4,427
Other capital improvements	4,024	5,710	(1,686)
Building and land improvements	12,394	12,619	(225)
Tenant improvements and leasing costs	26,219	31,388	(5,169)
Total capital expenditures and development activities	165,744	104,519	61,225
Accruals and other adjustments	(12,822)	(8,424)	(4,398)
Total cash paid for capital expenditures and development activities	$ 152,922	$ 96,095	$ 56,827

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

We capitalize indirect costs such as personnel, office and administrative expenses that are directly related to our development, redevelopment projects and successful origination of new leases based on an estimate of the time spent on the development and leasing activities. These capitalized costs for the years ended December 31, 2013, 2012 and 2011 were $7.8 million, $6.3 million and $5.0 million, respectively. During the year ended December 31, 2013, 2012 and 2011 total interest expense capitalized was $8.3 million, $4.3 million and $2.7 million, respectively.

Net cash provided by financing activities decreased $12.3 million primarily due to a decrease of $125.2 million in net proceeds from debt activity. During 2013, our senior unsecured revolving credit facility s repayments exceeded our proceeds from borrowings by $71.0 million while in 2012 our proceeds from borrowings exceeded our repayments by $110.0 million. Proceeds from senior unsecured notes exceeded repayments of senior unsecured notes by $97.4 million and $90.0 million, respectively, during 2013 and 2012. Principal payments on mortgage notes exceeded proceeds from mortgage notes by $24.2 million and $72.7 million, respectively, during 2013 and 2012.

Additionally, net cash provided by financing activities decreased due to an increase of $11.4 million in our dividends and distributions paid to common stockholders and noncontrolling interests. These changes were partially offset by an increase of $87.3 million of net proceeds from the issuance of common stock, a $33.6 million payment made to settle our cash flow hedge in 2012 and a $1.8 million decrease in cash outflow relating to redemptions of noncontrolling interests.

Year ended December 31, 2012 compared to year ended December 31, 2011

Cash and cash equivalents were $12.7 million and $12.8 million as of December 31, 2012 and December 31, 2011, respectively.

The table below summarizes our cash flow activity for the years ended December 31, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2012	2011	Change
Net cash provided by operating activities	$ 118,956	$ 106,482	$ 12,474
Net cash used in investing activities	$ (299,138)	$ (177,823)	$ (121,315)
Net cash provided by financing activities	$ 180,044	$ 66,845	$ 113,199

Net cash provided by operating activities increased $12.5 million primarily due to an increase in property net operating income, partially offset by an increase in net cash payments related to changes in operating assets and liabilities compared to the year ended December 31, 2011.

Net cash used in investing activities increased $121.3 million due to an increase in cash flows related to acquisitions of $159.1 million and an increase of cash outflows related to capital expenditures, as reflected in the table below, of $20.5 million, partially offset by a $47.3 million increase in proceeds from dispositions and a $9.9 million increase in distributions of our investments in unconsolidated joint ventures.

Our total capital expenditures for the years ended December 31, 2012 and 2011 were comprised of the following (in thousands):

	Year Ended December 31,		
	2012	2011	$ Change
Development	$ 46,701	$ 11,676	$ 35,025
Redevelopment	3,319	6,430	(3,111)
Due diligence and other	4,782	1,264	3,518
Other capital improvements	5,710		5,710
Building and land improvements	12,619	11,601	1,018
Tenant improvements and leasing costs	31,388	39,256	(7,868)
Total capital expenditures and development activities	104,519	70,227	34,292
Accruals and other adjustments	(8,424)	5,324	(13,748)
Total cash paid for capital expenditures and development activities	$ 96,095	$ 75,551	$ 20,544

Net cash provided by financing activities increased $113.2 million primarily due to an increase of $92.2 million in net proceeds from debt activity. During 2012, our senior unsecured revolving credit facility s proceeds from borrowings exceeded our repayments by $110.0 million while in 2011 our repayments exceeded our proceeds from borrowings by $51.0 million. Proceeds from senior unsecured notes exceeded repayments of senior unsecured notes by $90.0 million and $200.0 million, respectively, during 2012 and 2011. Principal payments on mortgage notes exceeded proceeds from mortgage notes by $72.7 million and $113.9 million, respectively, during 2012 and 2011.

Additionally, net cash provided by financing activities increased due to an increase of $59.7 million in net proceeds from the issuance of common stock, partially offset by a $33.6 million payment made to settle our cash flow hedge in 2012, an increase of $3.3 million in our dividends and distributions paid to common stockholders and noncontrolling interests, and a $2.9 million increase in cash outflow relating to redemptions of noncontrolling interests.

Common Stock

As of December 31, 2013, approximately 320.3 million shares of common stock were issued and outstanding.

On May 29, 2013, we registered a third continuous equity offering program, to replace our continuous equity offering program previously registered on November 20, 2012. Pursuant to this offering, we may sell up to 20 million shares of common stock from time-to-time through May 29, 2016 in at-the-market offerings or certain other transactions. The proceeds from the sale of shares were used for general corporate purposes, including funding acquisitions and repaying debt. During the year ended December 31, 2013, we issued approximately 13.8 million shares through the second and third continuous equity offering programs at an average price of $7.37 per share for proceeds of $100.4 million, net of offering expenses. As of December 31, 2013, 16.6 million shares remain available to be issued under the continuous equity offering.

On August 13, 2013, we issued 23.0 million shares of common stock in a public offering at a price of $7.20 per share for net proceeds of $158.2 million after offering expenses used for acquisitions, development activities, repayment of amounts under our senior unsecured revolving credit facility and other general purposes.

The net proceeds from the sales of our securities are transferred to our operating partnership for a number of OP Units equal to the shares of common stock sold in our offerings, including for the offerings noted above.

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.

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Distributions

During the years ended December 31, 2013 and 2012, our board of directors declared distributions and dividends to stockholders totaling approximately $92.1 million and $80.2 million, respectively, including distributions to noncontrolling interest holders. Existing cash balances, cash provided from operations and borrowings under our credit facility were used for distributions paid during 2013 and 2012.

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. During February 2014, our board of directors declared a quarterly cash dividend of $0.07 per share, payable on April 16, 2014 to stockholders of record as of April 4, 2014.

Outstanding Indebtedness

As of December 31, 2013, our outstanding indebtedness of approximately $1.5 billion consisted of mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility, excluding $44.4 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2012, our outstanding indebtedness consisted of mortgage notes and senior unsecured notes and totaled approximately $1.5 billion, excluding $45.0 million representing our proportionate share of debt associated with unconsolidated joint ventures.

As of December 31, 2013, the gross book value of our consolidated properties was approximately $3.7 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. As of December 31, 2012, the total gross book value of our consolidated properties was approximately $3.4 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. Our debt has various covenants with which we were in compliance as of December 31, 2013 and 2012.

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

All of our senior unsecured notes contain certain cross-default provisions which may be triggered in the event that any material indebtedness is in default. These cross-default provisions may require us to repay such senior unsecured debt. We are not in default and do not have any unsecured debt maturities through December 31, 2014.

We have certain non-recourse, secured loans which are cross-collateralized by multiple properties. In the event of a default, we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. We generally have broad substitution rights that afford DCT the opportunity to replace encumbered properties with replacement properties. We are not in default and do not have any cross-collateralized debt maturing through December 31, 2014.

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

Our charter and our bylaws do not limit the amount of debt we incur, however, we intend to operate so that our financial metrics are generally consistent with our publicly held investment grade REIT peers. The metrics we consider most significant include leverage, fixed charge coverage and net debt to earnings before interest, taxes, depreciation and amortization. We are also subject to certain covenants which may limit our outstanding indebtedness.

Debt Issuances

During June of 2013, we issued two secured mortgage notes with principal balances of $1.0 million and $6.2 million which mature in June 2023. The notes bear interest at a variable rate, however we have fixed the rate at 4.72% using two variable for floating rate swaps (See Note 6 Financial Instruments and Hedging Activities for further detail). The notes require monthly payments of principal and interest.

During October 2013, the operating partnership issued $275.0 million aggregate principal amount of 4.50% senior notes due 2023 at 99.038% of face value in a private placement for net proceeds of approximately $269.6 million after offering costs.

Debt Retirement

During March and April 2013, we retired mortgage notes totaling $11.0 million previously scheduled to mature in April and June of 2013, using proceeds from the Company s senior unsecured revolving credit facility and proceeds from our equity offerings.

During October 2013, in connection with the issuance of $275.0 million in aggregate principal amount of 10-year senior unsecured notes at 99.038% of face value, we primarily used the net proceeds to repay a $15.9 million mortgage note that was scheduled to mature in October 2013, a $50.0 million senior unsecured note that was scheduled to mature in January of 2014 and our $175.0 million senior unsecured term note that was scheduled to mature in February 2015.

Line of Credit

As of December 31, 2013, we had $39.0 million outstanding and $261.0 million available under our senior unsecured revolving credit facility. As of December 31, 2012 we had $110.0 million outstanding and $190.0 million available under the senior unsecured revolving credit facility.

2013 Debt Refinancing

During February 2013, DCT entered into an amendment with our syndicated bank group whereby we extended and increased our existing $175.0 million senior unsecured term loan to $225.0 million for a period of five years, extended our existing $300.0 million senior unsecured line of credit for a period of four years and received a commitment for an additional $175.0 million senior unsecured term loan with a term of two years. We closed on the additional $175.0 million in March 2013, which was used to refinance a scheduled June 2013 maturity of $175.0 million of other senior unsecured debt.

Interest rate swap

During June 2013 certain of our consolidated investments entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The first pay-fixed, receive-floating swap has a notional amount of $6.2 million, an effective date of June 2013 and a maturity date of June 2023. The second pay-fixed, receive-floating swap has a notional amount of $1.0 million, 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, 2012, we did not have any hedges in place.

Debt Maturities

The following table sets forth the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, as of December 31, 2013 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Senior Unsecured Revolving Credit Facility	Total
2014	$	$ 10,927	$	$ 10,927
2015	40,000	49,982		89,982
2016	99,000	61,184		160,184
2017	51,000	11,768	39,000	101,768
2018	306,500	6,412		312,912
Thereafter	628,500	145,448		773,948
Total	$ 1,125,000	$ 285,721	$ 39,000	$ 1,449,721

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2013, specifically our obligations under long-term debt agreements and operating and ground lease agreements (in thousands):

	Payments due by Period				
Contractual Obligations (1)	Total	2014	2015 - 2016	2017 - 2018	Thereafter
Scheduled long-term debt maturities, including interest (2)	$ 1,850,893	$ 77,355	$ 638,252	$ 240,373	$ 894,913
Operating lease commitments	2,713	941	1,608	164	
Ground lease commitments (3)	12,968	509	1,123	1,102	10,234
Total	$ 1,866,574	$ 78,805	$ 640,983	$ 241,639	$ 905,147

(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. Excluded from the total are our estimated construction costs to complete development projects of approximately $87.5 million, none of which is legally committed until work is completed

(2) Variable interest rate payments are estimated based on the LIBOR rate at December 31, 2013.

(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, 2013 and 2012, 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, 2013, 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 believe we have no material exposure to financial guarantees.

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As of December 31, 2013, our proportionate share of the total construction loans of our unconsolidated development joint ventures, including undrawn amounts, was $36.8 million all of which is scheduled to mature by the end of 2017. Our proportionate share of the total construction loans of our unconsolidated development joint ventures includes 50% of the construction loans associated with the SCLA joint venture which are non-recourse to the venture partners. 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 fundings are not required contractually or otherwise. As of December 31, 2013, our proportionate share of non-recourse debt associated with unconsolidated joint ventures is $44.4 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	
2014	$	4,513
2015		2,223
2016		830
2017		36,805
2018		
Thereafter		
Total	$	44,371

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 investments entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The first pay-fixed, receive-floating swap has a notional amount of $6.2 million, an effective date of June 2013 and a maturity date of June 2023. The second pay-fixed, receive-floating swap has a notional amount of $1.0 million, 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, 2012, we did not have any hedges in place.

Our variable rate debt is subject to risk based upon prevailing market interest rates. As of December 31, 2013, we had approximately $264.0 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, 2013 would increase by approximately $0.1 million based on our average outstanding floating-rate debt during the year ended December 31, 2013. 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 $11.1 million during the year ended December 31, 2013.

As of December 31, 2013, the estimated fair value of our debt was approximately $1.5 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 64 of this Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness 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, 2013, the end of the period covered by this annual report. Based on this evaluation, our management, including our principal executive officer and our principal financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2013 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. There was no change in our internal controls during the fiscal year ended December 31, 2013 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 2013, 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 (1992 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, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm. Their report appears below.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

DCT Industrial Trust Inc. and subsidiaries:

We have audited DCT Industrial Trust Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework), (the COSO criteria). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 21, 2014

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERANCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2014 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 2014 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 2014 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2014 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES AND DIRECTOR INDEPENDENCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2014 annual meeting of stockholders.

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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 64 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 64. All other financial statement schedules are not applicable.

B. Exhibits.

The Exhibits required by Item 601 of Regulation S-K are listed in the Index to Exhibits on page E-1 to E-3 of this report, which is incorporated herein by reference.

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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,
Chief Executive Officer

Date: February 21, 2014

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
/s/ THOMAS G. WATTLES Thomas G. Wattles	Executive Chairman and Director	February 21, 2014
/s/ PHILIP L. HAWKINS Philip L. Hawkins	Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2014
/s/ MATTHEW T. MURPHY Matthew T. Murphy	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 21, 2014
/s/ MARK E. SKOMAL Mark E. Skomal	Chief Accounting Officer (Principal Accounting Officer)	February 21, 2014
/s/ MARILYN A. ALEXANDER Marilyn A. Alexander	Director	February 21, 2014
/s/ THOMAS F. AUGUST Thomas F. August	Director	February 21, 2014
/s/ JOHN S. GATES, JR. John S. Gates, Jr.	Director	February 21, 2014
/s/ RAYMOND B. GREER Raymond B. Greer	Director	February 21, 2014
/s/ TRIPP H. HARDIN Tripp H. Hardin	Director	February 21, 2014
/s/ JOHN C. O KEEFFE John C. O Keeffe	Director	February 21, 2014

/s/ BRUCE L. WARWICK	Director	February 21, 2014
Bruce L. Warwick		

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INDEX TO FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

DCT Industrial Trust Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of DCT Industrial Trust Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 21, 2014

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share information)

	December 31, 2013	December 31, 2012
ASSETS		
Land	$ 883,804	$ 780,235
Buildings and improvements	2,615,879	2,481,206
Intangible lease assets	82,758	78,467
Construction in progress	88,610	45,619
Total investment in properties	3,671,051	3,385,527
Less accumulated depreciation and amortization	(654,097)	(605,888)
Net investment in properties	3,016,954	2,779,639
Investments in and advances to unconsolidated joint ventures	124,923	130,974
Net investment in real estate	3,141,877	2,910,613
Cash and cash equivalents	32,226	12,696
Restricted cash	12,621	10,076
Deferred loan costs, net	10,251	6,838
Straight-line rent and other receivables, net of allowance for doubtful accounts of $2,178 and $1,251, respectively	46,247	51,179
Other assets, net	14,545	12,945
Assets held for sale	8,196	52,852
Total assets	$ 3,265,963	$ 3,057,199
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 63,281	$ 57,501
Distributions payable	23,792	21,129
Tenant prepaids and security deposits	28,542	24,395
Other liabilities	10,122	7,213
Intangible lease liability, net	20,389	20,148
Line of credit	39,000	110,000
Senior unsecured notes	1,122,407	1,025,000
Mortgage notes	290,960	317,314
Liabilities related to assets held for sale	278	940
Total liabilities	1,598,771	1,583,640
Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, $0.01 par value, 100,000,000 shares authorized, none outstanding		
Common stock, $0.01 par value, 500,000,000 shares authorized 320,265,949 and 280,310,488 shares issued and outstanding as of December 31, 2013 and December 31, 2012, respectively	3,203	2,803
Additional paid-in capital	2,512,024	2,232,682
Distributions in excess of earnings	(941,019)	(871,655)
Accumulated other comprehensive loss	(30,402)	(34,766)

Total stockholders equity	1,543,806	1,329,064
Noncontrolling interests	123,386	144,495
Total equity	1,667,192	1,473,559
Total liabilities and equity	$ 3,265,963	$ 3,057,199

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per share data)

	For the Year Ended December 31, 2013	2012	2011
REVENUES:			
Rental revenues	$ 286,218	$ 236,839	$ 211,536
Institutional capital management and other fees	2,787	4,059	4,291
Total revenues	289,005	240,898	215,827
OPERATING EXPENSES:			
Rental expenses	35,977	30,298	28,931
Real estate taxes	44,048	36,092	32,436
Real estate related depreciation and amortization	130,002	109,993	103,333
General and administrative	28,010	25,763	25,251
Casualty and involuntary conversion gain	(296)	(1,174)	
Total operating expenses	237,741	200,972	189,951
Operating income	51,264	39,926	25,876
OTHER INCOME (EXPENSE):			
Development profit	268	307	
Equity in earnings (loss) of unconsolidated joint ventures, net	2,405	1,087	(2,556)
Impairment losses on investments in unconsolidated joint ventures			(1,953)
Interest expense	(63,394)	(69,274)	(63,645)
Interest and other income (expense)	274	85	(93)
Income tax expense and other taxes	(68)	(671)	(132)
Loss from continuing operations	(9,251)	(28,540)	(42,503)
Income from discontinued operations	26,723	11,800	13,660
Consolidated net income (loss) of DCT Industrial Trust Inc.	17,472	(16,740)	(28,843)
Net (income) loss attributable to noncontrolling interests	(1,602)	1,654	3,593
Net income (loss) attributable to common stockholders	15,870	(15,086)	(25,250)
Distributed and undistributed earnings allocated to participating securities	(692)	(524)	(443)
Adjusted net income (loss) attributable to common stockholders	$ 15,178	$ (15,610)	$ (25,693)
EARNINGS PER COMMON SHARE BASIC AND DILUTED:			
Loss from continuing operations	$ (0.03)	$ (0.10)	$ (0.16)
Income (loss) from discontinued operations	0.08	0.04	0.05
Net income (loss) attributable to common stockholders	$ 0.05	$ (0.06)	$ (0.11)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic and diluted	298,769	254,831	242,591

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Consolidated net income (loss) of DCT Industrial Trust Inc.	$ 17,472	$ (16,740)	$ (28,843)
Other comprehensive income (loss):			
Net derivative gain (loss) on cash flow hedging instruments	675	(6,776)	(16,508)
Net reclassification adjustment on cash flow hedging instruments	4,490	2,098	970
Other comprehensive income (loss)	5,165	(4,678)	(15,538)
Comprehensive income (loss)	22,637	(21,418)	(44,381)
Comprehensive (income) loss attributable to noncontrolling interests	(2,403)	902	5,084
Comprehensive income (loss) attributable to common stockholders	$ 20,234	$ (20,516)	$ (39,297)

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(in thousands)

	Total	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at December 31, 2010	$ 1,400,838	222,947	$ 2,229	$ 1,898,289	$ (689,127)	$ (15,289)	$ 204,736
Net loss	(28,843)				(25,250)		(3,593)
Other comprehensive loss	(15,538)					(14,047)	(1,491)
Issuance of common stock, net of offering costs	111,588	21,850	219	111,369			
Issuance of common stock, stock-based compensation plans	(88)	215	2	(90)			
Amortization of stock-based compensation	4,552			1,564			2,988
Distributions to common stockholders and noncontrolling interests	(76,848)				(68,852)		(7,996)
Issuance of noncontrolling interests	4,880			(5)			4,885
Partner contributions from noncontrolling interests	4,632						4,632
Purchase of noncontrolling interests	(687)			(191)			(496)
Redemptions of noncontrolling interests	(371)	931	9	7,139			(7,519)
Balance at December 31, 2011	$ 1,404,115	245,943	$ 2,459	$ 2,018,075	$ (783,229)	$ (29,336)	$ 196,146
Net loss	(16,740)				(15,086)		(1,654)
Other comprehensive loss	(4,678)					(5,430)	752
Issuance of common stock, net of offering costs	171,328	28,447	284	171,044			
Issuance of common stock, stock-based compensation plans	(288)	248	3	(291)			
Amortization of stock-based compensation	4,311			1,811			2,500
Distributions to common stockholders and noncontrolling interests	(80,231)				(73,340)		(6,891)
Issuance of noncontrolling interests	(61)						(61)
Partner contributions from noncontrolling interests	30						30
Purchase of noncontrolling interests	(934)			(666)			(268)
Redemptions of noncontrolling interests	(3,293)	5,672	57	42,709			(46,059)
Balance at December 31, 2012	$ 1,473,559	280,310	$ 2,803	$ 2,232,682	$ (871,655)	$ (34,766)	$ 144,495
Net income	17,472				15,870		1,602
Other comprehensive income	5,165					4,364	801
Issuance of common stock, net of offering costs	258,575	36,817	368	258,207			
Issuance of common stock, stock-based compensation plans	(65)	241	3	(68)			
Amortization of stock-based compensation	5,108			1,843			3,265
Distributions to common stockholders and noncontrolling interests	(92,070)				(85,234)		(6,836)
Partner contributions from noncontrolling interests	1,073						1,073
Purchases and other allocations of noncontrolling interests	(125)			(357)			232
Redemptions of noncontrolling interests	(1,500)	2,898	29	19,717			(21,246)
Balance at December 31, 2013	$ 1,667,192	320,266	$ 3,203	$ 2,512,024	$ (941,019)	$ (30,402)	$ 123,386

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31, 2013	2012	2011
OPERATING ACTIVITIES:			
Consolidated net income (loss) of DCT Industrial Trust Inc.	**$ 17,472**	**$ (16,740)**	**$ (28,843)**
Adjustments to reconcile consolidated net income (loss) of DCT Industrial Trust Inc. to net cash provided by operating activities:			
Real estate related depreciation and amortization	137,120	126,687	128,989
Gain on dispositions of real estate interests	(33,619)	(13,383)	(12,030)
Distributions of earnings from unconsolidated joint ventures	8,801	4,808	3,267
Equity in (earnings) loss of unconsolidated joint ventures, net	(2,405)	(1,087)	2,556
Casualty and involuntary conversion gain	(296)	(1,624)	(1,298)
Impairment losses	13,279	11,422	10,160
Stock-based compensation	4,004	3,584	4,068
Straight-line rent	(5,525)	(5,962)	(9,526)
Other	6,294	6,213	3,731
Changes in operating assets and liabilities:			
Other receivables and other assets	417	1,767	(1,197)
Accounts payable, accrued expenses and other liabilities	7,351	3,271	6,605
Net cash provided by operating activities	**152,893**	**118,956**	**106,482**
INVESTING ACTIVITIES:			
Real estate acquisitions	(402,723)	(360,002)	(200,909)
Capital expenditures and development activities	(152,922)	(96,095)	(75,551)
Proceeds from dispositions of real estate investments	258,224	153,747	106,455
Investments in unconsolidated joint ventures	(2,756)	(19,417)	(21,991)
Proceeds from casualties and involuntary conversion	8,268	681	3,813
Distributions of investments in unconsolidated joint ventures	2,175	22,877	12,941
Other investing activities	(11,324)	(929)	(2,581)
Net cash used in investing activities	**(301,058)**	**(299,138)**	**(177,823)**
FINANCING ACTIVITIES:			
Proceeds from senior unsecured revolving line of credit	426,000	450,000	260,500
Repayments of senior unsecured revolving line of credit	(497,000)	(340,000)	(311,500)
Proceeds from senior unsecured notes	497,355	90,000	400,000
Repayments of senior unsecured notes	(400,000)		(200,000)
Proceeds from mortgage notes	16,498		20,000
Principal payments on mortgage notes	(40,744)	(72,672)	(133,898)
Settlement of cash flow hedge		(33,550)	
Proceeds from issuance of common stock	267,453	177,628	116,898
Offering costs for issuance of common stock and OP Units	(8,878)	(6,361)	(5,315)
Redemption of noncontrolling interests	(1,500)	(3,293)	(371)
Dividends to common stockholders	(82,431)	(70,921)	(67,250)
Distributions to noncontrolling interests	(6,976)	(7,056)	(7,422)
Contributions from noncontrolling interests	723	30	231
Other financing activity	(2,805)	(3,761)	(5,028)

Net cash provided by financing activities	**167,695**	**180,044**	**66,845**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**19,530**	**(138)**	**(4,496)**
CASH AND CASH EQUIVALENTS, beginning of period	**12,696**	**12,834**	**17,330**
CASH AND CASH EQUIVALENTS, end of period	**$ 32,226**	**$ 12,696**	**$ 12,834**
Supplemental Disclosures of Cash Flow Information			
Cash paid for interest, net of capitalized interest	$ 57,177	$ 64,795	$ 58,461
Supplemental Disclosures of Non-Cash Activities			
Retirement of fully depreciated and amortized assets	$ 29,899	$ 51,817	$ 42,149
Redemptions of OP Units settled in shares of common stock	$ 19,746	$ 42,766	$ 7,148
Assumption of mortgage notes in connection with real estate acquired	$	$ 73,253	$ 7,653
Contributions of real estate from noncontrolling interests	$ 350	$	$ 4,401
Issuance of OP Units in connection with real estate acquisition	$	$	$ 4,885

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Organization

DCT Industrial Trust Inc. is a leading industrial real estate company that owns, operates and develops high-quality bulk distribution and light industrial properties in high-volume distribution markets in the U.S. As used herein, DCT Industrial Trust, DCT, the Company, we, our and refer to DCT Industrial Trust Inc. and its consolidated subsidiaries and partnerships except where the context otherwise requires. We were formed as a Maryland corporation in April 2002 and have elected to be treated as a real estate investment trust (REIT) for United States (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 (the operating partnership), a Delaware limited partnership, for which DCT Industrial Trust Inc. is the sole general partner. We own our properties through our operating partnership and its subsidiaries. As of December 31, 2013, we owned approximately 94.8% of the outstanding equity interests in our operating partnership.

As of December 31, 2013, the Company owned interests in approximately 75.5 million square feet of properties leased to approximately 900 customers, including:

- 61.9 million square feet comprising 395 consolidated properties owned in our operating portfolio which were 93.3% occupied;
- 12.3 million square feet comprising 38 unconsolidated properties which were 94.1% occupied and operated on behalf of four institutional capital management partners;
- 0.2 million square feet comprising two consolidated properties under redevelopment;
- 0.9 million square feet comprising two consolidated buildings in development; and
- 0.2 million square feet comprising one building held for sale.

The Company also has seven consolidated buildings under construction, several projects in predevelopment and one build-to-suit project under contract for sale. See Note 3 Investment in Properties for further detail.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the financial position, results of operations and cash flows of the Company, its wholly-owned qualified REIT and taxable REIT subsidiaries, the operating partnership and its consolidated joint ventures, in which it has a controlling interest. Third-party equity interests in the operating partnership and consolidated joint ventures are reflected as noncontrolling interests in the Consolidated Financial Statements. We also have noncontrolling partnership interests in unconsolidated institutional capital management and other joint ventures, which are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated in consolidation.

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

We hold interests in both consolidated and unconsolidated joint ventures. All joint ventures over which we have financial and operating control, and variable interest entities (VIEs) in which we have determined that we are the primary beneficiary, are included in the Consolidated Financial

Statements. We use the equity method of accounting for joint ventures over which we do not have a controlling interest or where we do not exercise significant control over major operating and management decisions but where we exercise significant influence and include our share of earnings or losses of these joint ventures in our consolidated results of operations.

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

Reclassifications

Certain items in our Consolidated Financial Statements for 2011 and 2012 have been reclassified to conform to the 2013 presentation.

Use of Estimates

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

Capitalization of Costs

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

Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rate during the period. We also capitalize interest on our qualifying investments in unconsolidated joint ventures based on the average capital invested in a venture during the period when the venture has activities in progress necessary to commence its planned principal operations, at our weighted average borrowing rate during the period. A qualifying investment is an investment in an unconsolidated joint venture provided that our investee s activities include the use of funds to acquire qualifying assets, such as development or predevelopment activities, and planned principal operations have not commenced.

Discontinued Operations

We classify certain properties and related assets and liabilities as held for sale when certain criteria are met. At such time, the respective assets and liabilities are presented separately on our Consolidated Balance Sheets. We include liabilities related to assets held for sale that will be transferred in the transaction in Liabilities related to assets held for sale. Assets held for sale are reported at the lower of carrying value or estimated fair value less estimated costs to sell. The operating results of such properties are presented in Income from discontinued operations in current periods and all comparable periods presented. Depreciation is not recorded on properties held for sale; however, depreciation expense recorded prior to classification as held for sale is included in Income from discontinued operations. Gains on sales of real estate assets are recognized if the specific transaction terms and any continuing involvement in the form of management or financial assistance meet the various sale recognition criteria as defined by GAAP. If the criteria are not met, we defer the gain until such time that the criteria for sale recognition have been met. Net gains on sales and any impairment losses associated with assets held for sale are presented in Income from discontinued operations when recognized.

Fair Value

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

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

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

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

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

Investment in Properties

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

The fair value of identifiable tangible assets such as land, building, building and land improvements and tenant improvements is determined on an as-if-vacant basis. Management considers Level 3 inputs such as the replacement cost of such assets, appraisals, property condition reports, market data and other related information in determining the fair value of the tangible assets. The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to Interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The recorded fair value of intangible lease assets includes Level 3 inputs and represents the value associated with in-place leases which include leasing commissions, legal and other costs, as well as an intangible asset or liability resulting from in-place leases being above or below the market rental rates over the lease term on the date of the acquisition. Intangible lease assets or liabilities are amortized over the reasonably assured lease term of the remaining in-place leases as an adjustment to Rental revenues or Real estate related depreciation and amortization depending on the nature of the intangible.

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

Real estate, including land, building, building and land improvements, tenant improvements, leasing costs and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to its estimated fair value.

Depreciation and Useful Lives of Real Estate Assets

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

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

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

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

Impairment of Properties

Investments in properties classified as held for use are carried at cost and evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Examples of such changes in circumstances include the point at which we deem a building to be held for sale, our intended hold period changes, or when a building remains vacant significantly longer than expected. For investments in properties that we intend to hold long-term, the recoverability is based on estimated future undiscounted cash flows. If the asset carrying value is not supported on an undiscounted cash flow basis, the amount of impairment is measured as the difference between the carrying value and the fair value of the asset and is reflected in Impairment losses on the Consolidated Statements of Operations. The determination of fair value of real estate assets to be held for use is derived using the discounted cash flow method and involves a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Such assumptions are Level 3 inputs and include, but are not limited to, projected vacancy rates, rental rates, property operating expenses and capital expenditures. The capitalization rate is also a significant driving factor in determining the property valuation and requires management s judgment of factors such as market knowledge, historical experience, lease terms, customer financial strength, economy, demographics, environment, property location, visibility, age, physical condition and expected return requirements, among other things. The aforementioned factors are taken as a whole by management in determining the valuation of investment property. The valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management s estimates, the valuation could be negatively affected and may result in additional impairments recorded in the Consolidated Financial Statements.

Investments in properties classified as held for sale are measured at the lower of their carrying amount or fair value (typically estimated based on the contractual sales price, a Level 2 input) less costs to sell. Impairment of assets held for sale is a component of Income from discontinued operations in the Consolidated Statements of Operations and is further detailed in Note 15 Discontinued Operations and Assets Held for Sale.

Investments in and Advances to Unconsolidated Joint Ventures

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

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

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

We evaluate our investments in unconsolidated entities for impairment whenever events or changes in circumstances indicate that there may be an other-than-temporary decline in value. To do so, we calculate the estimated fair value of the investment using a market, income or replacement cost approach, or combination thereof. The amount of impairment recognized, if any, would be the excess of the investment s carrying amount over its estimated fair value. We consider various factors to determine if a decline in the value of the investment is other-than-temporary. These factors are Level 2 and 3 inputs and include but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, expected term of the investment and the relationships with the other joint venture partners and its lenders. If we believe that the decline in the fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment. Should the actual results differ from management s estimates, the valuation could be negatively affected and may result in a negative impact on the Consolidated Financial Statements. See Note 4 Investments in and Advances to Unconsolidated Joint Ventures for additional information.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and capital replacement reserves, security deposits and amounts held by intermediary agents to be used for tax-deferred, like-kind exchange transactions. As of December 31, 2013, approximately $8.8 million of restricted cash was included in Investing Activities in our Consolidated Statements of Cash Flows related to tax deferred, like-kind exchange transactions.

Deferred Loan Costs

Deferred loan costs include fees and costs incurred to obtain long-term financing. These fees and costs are amortized to Interest expense over the terms of the related loans. Accumulated amortization of deferred loan costs was approximately $6.3 million and $4.5 million as of December 31, 2013 and 2012, respectively. Unamortized deferred loan costs are fully amortized when debt is retired before the maturity. Our interest expense for the years ended December 31, 2013, 2012 and 2011 includes approximately $2.7 million, $2.1 million and $2.1 million for the amortization of loan costs, respectively, including amounts related to discontinued operations.

Straight-line Rent and Other Receivables

Straight-line rent and other receivables include all straight-line rent and current accounts receivable, net of allowances. We maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If a customer fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances. As of December 31, 2013 and 2012, our allowance for doubtful accounts was approximately $2.2 million and $1.3 million, respectively.

Debt

Debt consists of fixed and variable rate secured mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility. Discounts and premiums to the principal amounts are included in the carrying value of debt and amortized to Interest expense over the remaining life of the underlying debt. The aggregated premium balance, net of accumulated amortization, was approximately $2.6 million and $7.3 million as of December 31, 2013 and 2012, respectively.

Derivative Instruments and Hedging Activities

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

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

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

Comprehensive Income (Loss)

We report comprehensive income or loss in our Consolidated Statements of Comprehensive Income (Loss). Amounts reported in Accumulated other comprehensive loss related to settled hedging transactions will be amortized to Interest expense as the hedged forecasted transactions occur. Any ineffectiveness related to our hedging transactions is reported in our Consolidated Statements of Operations. See Note 6 Financial Instruments and Hedging Activities for additional information.

Revenue Recognition

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect over the remaining lease term rather than currently, which are recorded as a straight-line rent receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation. The total increase to Rental revenues due to straight-line rent adjustments was approximately $5.3 million, $6.3 million and $8.3 million, respectively, for the years ended December 31, 2013, 2012 and 2011.

Tenant recovery income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as Rental revenues during the same period the related expenses are incurred. Tenant recovery income recognized as Rental revenues was approximately $63.8 million, $51.7 million and $43.6 million, respectively, for the years ended December 31, 2013, 2012 and 2011.

In connection with property acquisitions qualifying as business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to Rental revenues over the reasonably assured term of the related leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining contractual lease term. The total net impact to Rental revenues due to the amortization of above and below market rents was an increase of approximately $1.6 million, an increase of approximately $0.8 million and an increase of approximately $0.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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Future minimum base rental payment, i.e., cash received for monthly contractual rent, due to us from our customers under the terms of non-cancelable operating leases in effect as of December 31, 2013 were as follows (in thousands):

Year Ended December 31,	Amount
2014	$ 226,868
2015	199,725
2016	159,027
2017	124,002
2018	91,148
Thereafter	285,230
Total	$ 1,086,000

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

Early lease termination fees are recorded in Rental revenues on a straight-line basis over the estimated remaining contractual lease term or upon collection if collectability is not assured. During the years ended December 31, 2013, 2012 and 2011, early lease termination fees were $1.3 million, $0.6 million and $0.6 million, respectively.

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

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

Stock-Based Compensation

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

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Income and Other Taxes

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

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

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

The Company recognizes penalties and interest accrued related to unrecognized tax benefits, if any, as income tax expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax expense. We had no interest expense or penalties related to unrecognized tax benefits for the years ended December 31, 2013, 2012 or 2011.

We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the more likely than not threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2013 and 2012, there were no unrecognized tax benefits. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months. Our federal income tax returns and income tax returns for various state and local jurisdictions are subject to examination by the Internal Revenue Service for the year ended December 31, 2009 and subsequent years.

New Accounting Standards

During the second quarter of 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which generally aligns the principles for fair value measurements and the related disclosure requirements under US GAAP and International Financial Reporting Standards (IFRS). This standard requires new disclosures, with a particular focus on Level 3 measurements, including quantitative information about the significant unobservable inputs used for all Level 3 measurements, qualitative discussion

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about the sensitivity of recurring Level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs, and a description of the company s valuation processes. This standard also requires disclosure of any transfers between Levels 1 and 2 of the fair value hierarchy, information about when the current use of a non-financial asset measured at fair value differs from its highest and best use, and the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. This standard was effective for interim and annual periods beginning after December 15, 2011. In conjunction with the adoption of this standard, we made an accounting policy election to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. We adopted this standard effective January 1, 2012.

Also during the second quarter of 2011, the FASB issued an accounting standards update that eliminates the option to present components of other comprehensive income (OCI) in the statement of changes in stockholders equity, and requires the presentation of components of net income and OCI either in a single continuous statement or in two separate but consecutive statements. This standard requires retrospective application and was effective for interim and annual periods beginning after December 15, 2011. We adopted this standard on January 1, 2012 and have presented the components of net income and other comprehensive income in two separate but consecutive statements.

In February 2013, the FASB issued an accounting standard update that requires disclosure of the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount is required under GAAP to be reclassified in its entirety to net income. Additionally, the update requires disclosure of changes in each component of OCI. The disclosure requirements were retroactively effective for us on January 1, 2013. As this guidance only requires expanded disclosure, the adoption did not have any impact on our Consolidated Financial Statements.

Note 3 - Investment in Properties

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

	December 31, 2013	December 31, 2012
Operating properties	$ 3,442,442	$ 3,209,024
Properties under redevelopment	12,194	14,699
Properties under development	142,903	80,008
Properties in pre-development including land held	73,512	81,796
Total Investment in Properties	**3,671,051**	**3,385,527**
Less accumulated depreciation and amortization	(654,097)	(605,888)
Net Investment in Properties	**$ 3,016,954**	**$ 2,779,639**

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Acquisition Activity

2013 Acquisition Activity

During the year ended December 31, 2013, we acquired 38 buildings totaling 7.1 million square feet for a total purchase price of $359.5 million, excluding our existing ownership of 3.6% in the seven properties previously held by TRT-DCT Venture I (see Note 4 Investments in and Advances to Unconsolidated Joint Ventures for further detail). The table below represents a summary of our acquisitions during 2013:

	Market	Number of Buildings	Square Feet
East Operating Segment:	Atlanta	4	684,000
	Pennsylvania	5	1,275,000
	Charlotte	1	472,000
	Miami	1	211,000
	New Jersey	2	308,000
Central Operating Segment:	Chicago	9	2,209,000
	Dallas	4	506,000
	Houston	1	88,000
West Operating Segment:	Northern California	2	439,000
	Phoenix	3	308,000
	Seattle	1	39,000
	Southern California	5	583,000
	Total	38	7,122,000

2012 Acquisition Activity

During the year ended December 31, 2012, we acquired 32 buildings totaling 6.2 million square feet for a total purchase price of approximately $338.4 million, excluding our existing ownership of 20% in the six properties previously held by DCT Fund I (see Note 4 Investments in and Advances to Unconsolidated Joint Ventures for further detail related to the buyout of our joint venture partner s interest). The table below represents a summary of our acquisitions during 2012:

	Market	Number of Buildings	Square Feet
East Operating Segment:	Atlanta	2	735,000
	Pennsylvania	1	100,000
	Memphis	1	1,039,000
	Miami	1	50,000
	New Jersey	2	194,000
Central Operating Segment:	Chicago	6	1,034,000
	Dallas	2	1,090,000
	Houston	5	522,000
West Operating Segment:	Northern California	1	337,000
	Phoenix	1	76,000
	Seattle	2	136,000
	Southern California	8	862,000
	Total	32	6,175,000

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Development Activity

2013 Development Activity

During 2013, we continued to expand our development activities. The table below represents a summary of our consolidated development activity as of December 31, 2013:

Project	Market	Acres	Number of Buildings	Square Feet (in thousands)	Percent Owned		Cumulative Costs at 12/31/2013 (in thousands)		Projected Investment (in thousands)	Completion Date [1]	Percent Leased
Development Activities											
Projects in Lease Up											
DCT Airtex Industrial Center	Houston	13	1	267	100%	$	12,161	$	14,983	Q4-2013	100%
DCT 55	Chicago	33	1	604	100%		26,218		28,318	Q4-2012	66%
	Total	**46**	**2**	**871**	**100%**	**$**	**38,379**	**$**	**43,301**		**77%**
Under Construction											
DCT Beltway Tanner Business Center	Houston	11	1	133	100%	$	10,201	$	15,153	Q1-2014	0%
8th & Vineyard B	So. California	4	1	99	91%		5,243		6,197	Q1-2014	0%
DCT Summer South Distribution Center	Seattle	9	1	188	100%		9,194		13,060	Q1-2014	0%
DCT White River Corporate Center Phase I	Seattle	30	1	649	100%		23,051		42,433	Q2-2014	0%
Slover Logistics Center II	So. California	28	1	610	100%		24,241		37,496	Q1-2014	100%
DCT Auburn 44	Seattle	3	1	49	100%		3,341		4,547	Q1-2014	100%
DCT Rialto Logistics Center	So. California	42	1	928	100%		21,480		59,523	Q3-2014	0%
	Total	**127**	**7**	**2,656**	**100%**	**$**	**96,751**	**$**	**178,409**		**25%**
Build-to-Suit for Sale											
8th & Vineyard A	So. California	6	1	130	91%	$	7,773	$	8,703	Q1-2014	N/A
	Total	**6**	**1**	**130**	**91%**	**$**	**7,773**	**$**	**8,703**		
Total Development Activities		**179**	**10**	**3,657**	**99%**	**$**	**142,903**	**$**	**230,413**		**38%**

[1] The completion date represents the date of building shell completion or estimated date of shell completion.

2013 Development Profits

Construction was completed during the second quarter of 2013 on the Dulles Summit build-to-suit project. We recognized development profits, net of tax of approximately $0.3 million and $0.3 million, respectively, for the years ended December 31, 2013 and 2012 related to the development of the Dulles Summit build-to-suit project. As of December 31, 2013, we had one build-to-suit for sale project, 8th and Vineyard A, under contract. Due to the terms of the contract, timing of payments and the sale recognition criteria of GAAP, no profit was recognized in 2013. The construction and sale were completed in January 2014, at which time the development profit was recognized.

2013 Development Acquisitions

During the year ended December 31, 2013, we acquired five land parcels for future development which total approximately 128.6 acres located in the Southern California, Seattle, Miami and Houston markets. The land parcels were acquired for a total purchase price of $40.5 million.

2012 Development Acquisitions

During the year ended December 31, 2012, we acquired seven land parcels for future development which totaled approximately 216.4 acres located in the Chicago, Southern California, Seattle, Atlanta and Houston markets and

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one shell-complete building totaling approximately 0.3 million square feet in Houston. The land parcels and shell-complete building were acquired from unrelated third-parties for a total purchase price of $72.1 million.

Disposition Activity

2013 Disposition Activity

During the year ended December 31, 2013, we sold 51 operating properties, totaling 6.8 million square feet, to third-parties for gross proceeds of approximately $265.8 million. We recognized gains of approximately $33.6 million on the disposition of 36 operating properties and recognized an impairment loss of approximately $13.3 million on the disposition of a portfolio of 15 properties in Dallas. All gains and impairment associated with these sales are reflected in Income from discontinued operations in the Consolidated Financial Statements. The table below represents a summary of our dispositions during 2013:

	Market	Number of Buildings	Square Feet
East Operating Segment:	Atlanta	1	578,000
	Memphis	2	1,439,000
Central Operating Segment:	Mexico	15	1,653,000
	Cincinnati	1	710,000
	Dallas	17	640,000
	San Antonio	13	1,177,000
	Louisville	1	221,000
West Operating Segment:	Northern California	1	396,000
	Total	51	6,814,000

2012 Disposition Activity

During the year ended December 31, 2012, we sold 36 operating properties, totaling 4.1 million square feet, to third-parties for combined gross proceeds of approximately $155.0 million. We recognized gains of approximately $13.4 million on the disposition of 23 operating properties and recognized an impairment loss of approximately $11.4 million on the disposition of a portfolio of 13 properties in Atlanta. All gains and impairment associated with these sales are reflected in Income from discontinued operations in the Consolidated Financial Statements. The table below represents a summary of our dispositions during 2012:

	Market	Number of Buildings	Square Feet
East Operating Segment:	Atlanta	16	840,000
	Charlotte	1	80,000
	Memphis	2	1,106,000
	New Jersey	1	138,000
Central Operating Segment:	Columbus	2	821,000
	Dallas	1	85,000
	Houston	13	1,005,000
	Total	36	4,075,000

Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see Note 2 Summary of Significant Accounting Policies for additional information) was approximately $11.8 million, $9.6 million and $10.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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Our intangible lease assets and liabilities included the following as of December 31, 2013 and 2012 (in thousands):

	December 31, 2013				December 31, 2012		
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Life (in Years)	Gross	Accumulated Amortization	Net
Other intangible lease assets	$ 77,383	$ (27,668)	$ 49,715	4	$ 71,846	$ (26,181)	$ 45,665
Above market rent	$ 5,375	$ (1,761)	$ 3,614	2	$ 6,621	$ (4,348)	$ 2,273
Below market rent	$ (26,562)	$ 6,173	$ (20,389)	9	$ (27,590)	$ 7,442	$ (20,148)

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

For the Period Ended December 31,	Estimated Net Amortization of Lease Intangible Assets	Estimated Net Increase to Rental Revenues Related to Above and Below Market Rents
2014	$ 12,284	$ 1,686
2015	9,671	1,507
2016	7,290	1,065
2017	5,451	840
2018	3,544	480
Thereafter	11,475	11,197
Total	$ 49,715	$ 16,775

Casualty and Involuntary Conversion Events

During 2013, we recognized a gain of approximately $0.3 million as a result of a settlement pursuant to eminent domain proceedings.

During 2012 and 2011, a series of storms caused damage to some of our properties which were covered by insurance for all losses, subject to our deductibles. The recoveries received for damages were in excess of the sum of our incurred losses for cleanup costs and the net book value written off for the damaged property. After all contingencies relating to the casualties were resolved, we recorded casualty gains of approximately $1.6 million and $1.3 million, during the years ended December 31, 2012 and 2011, respectively, including amounts related to discontinued operations.

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Note 4 - Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of operating and developing industrial real estate. The following describes our unconsolidated joint ventures as of December 31, 2013 and 2012:

Unconsolidated Joint Ventures	DCT Ownership as of December 31, 2013	Number of Buildings	Investments in and Advances to as of December 31, 2013	Investments in and Advances to as of December 31, 2012
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC [2]	20.0%	13	$ 41,253	$ 42,571
TRT-DCT Venture I [1][3][5]	3.6%	7	823	558
TRT-DCT Venture II [5]	11.4%	5	1,847	1,990
TRT-DCT Venture III [2]	10.0%	4	1,197	1,225
Total Institutional Joint Ventures		29	45,120	46,344
Other:				
Stirling Capital Investments (SCLA) [4]	50.0%	6	47,978	53,840
IDI/DCT, LLC	50.0%	3	27,735	27,736
IDI/DCT Buford, LLC (land only)	75.0%		4,090	3,054
Total Other		9	79,803	84,630
Total		38	$ 124,923	$ 130,974

(1) As of December 31, 2012 the venture owned 14 properties. During May 2013, DCT purchased the remaining 96.4% interest in seven properties from TRT-DCT Venture I for additional consideration of $82.8 million. Additionally, we sold one of the properties during 2013 and the remaining six properties were consolidated as of December 31, 2013.

(2) During 2012, our unconsolidated joint venture completed dispositions of two properties in the Cincinnati and Louisville markets where our share of gross proceeds was approximately $3.7 million. We recognized gains of $1.0 million, inclusive of a previously deferred gain of approximately $0.3 million, in Equity in earnings (loss) in unconsolidated joint ventures in our Consolidated Statement of Operations during the year ended December 31, 2012.

(3) During the first quarter of 2012, our joint venture partner contributed one property into the TRT-DCT Venture I. As a result of this activity, we made a capital contribution totaling $0.2 million, which resulted in an equity ownership of 3.6%.

(4) Although we contributed 100% of the initial cash equity capital required by the venture, our partners retain certain participation rights in the venture s available cash flows.

(5) In January 2014, the TRT-DCT Ventures I and II disposed of all their properties, generating net proceeds of approximately $6.6 million to DCT.

Institutional Capital Management Joint Ventures

DCT/SPF Industrial Operating LLC

During 2007, we entered into a joint venture agreement with Industrial Acquisition LLC (JP Morgan), an entity advised by JPMorgan Asset Management, to form DCT/SPF Industrial Operating LLC (JP Morgan Venture) that owns and operates industrial properties located in the United States. Our actual ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2013 our ownership interest is 20.0%. As a result of our contribution of properties into the JP Morgan Venture in 2007, we have deferred gains of $2.6 million as of December 31, 2013, which will be recognized through earnings over the weighted average life of the related properties, or upon disposition of the properties to a third-party.

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TRT-DCT Industrial Joint Ventures I, II and III

We entered into a joint venture with Dividend Capital Diversified Property Fund (DCDPF), formerly known as Dividend Capital Total Realty Trust Inc., to form TRT-DCT Venture I on September 1, 2006. Our ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2013 our ownership interest is 3.6%. As noted above, subsequent to December 31, 2013 the venture disposed of its seven properties.

We formed a joint venture with DCDPF, TRT-DCT Industrial Joint Venture II G.P. (TRT-DCT Venture II), on March 27, 2007. Our ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2013 our ownership interest is 11.4%. As a result of our contribution of properties into TRT-DCT Venture II in 2007, we have deferred gains of $0.6 million as of December 31, 2013. As noted above, subsequent to December 31, 2013 the venture disposed of its five properties, resulting in the recognition of the $0.6 million deferred gain.

We formed a joint venture with DCDPF, TRT-DCT Industrial Joint Venture III, G.P. (TRT-DCT Venture III), on September 9, 2008. Our ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2013 our ownership interest is 10.0%.

Development Projects in Unconsolidated Joint Ventures

SCLA

During 2006, we entered into a joint venture agreement with Stirling Airports International, LLC, (Stirling), an unrelated third-party, to be the master developer of up to 4,350 acres in Victorville, California, part of the Inland Empire submarket in Southern California. The development project is located at the former George Air Force Base which closed in 1992 and is now known as Southern California Logistics Airport (SCLA). We refer to this joint venture as the SCLA joint venture. Stirling entered into two master development agreements which gave it certain rights to be the exclusive developer of the SCLA development project through 2019 (including certain extensions) and assigned these rights to the SCLA joint venture upon the closing of the venture. While our exact share of the equity interests in the SCLA joint venture will depend on the amount of capital we contribute and the timing of contributions and distributions, the SCLA joint venture contemplates an equal sharing between us and Stirling of residual profits and cash flows after all priority distributions. As of December 31, 2013, the SCLA joint venture owned six operating buildings comprised of 2.2 million square feet which were 99.6% occupied and an additional 181.4 acres of land available for development.

IDI/DCT, LLC

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

In 2011, the joint venture sold one of its buildings located in Stoughton, CA to a third-party. As a result of the contracted sales price less costs to sell being lower than the carrying amount of the related real estate assets, the joint venture recognized an impairment loss. Our portion of the impairment loss was approximately $2.0 million, which is included in Impairment losses on investments in unconsolidated joint ventures in our Consolidated Statement of Operations for the year ended December 31, 2011.

IDI/DCT Buford, LLC

During 2008, we entered into a joint venture agreement with IDI to form IDI/DCT Buford, LLC. This joint venture was funded for the purpose of developing distribution buildings on approximately 47 acres that were contributed to the joint venture by DCT.

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Summarized Financial Information

The following table provides unaudited selected combined financial information for unconsolidated joint ventures as of and for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	2013	2012	2011
Real estate, net of accumulated depreciation	$ 528,130	$ 630,478	$ 739,373
Total assets	$ 548,833	$ 651,971	$ 765,427
Notes payable	$ 191,100	$ 272,948	$ 290,983
Total liabilities	$ 202,620	$ 287,046	$ 368,018
Partners capital	$ 346,213	$ 364,925	$ 397,409
Rental revenues	$ 54,363	$ 66,052	$ 62,971
Operating expenses	$ 13,677	$ 16,343	$ 16,270
Depreciation expense	$ 25,300	$ 33,734	$ 33,769
Interest expense	$ (11,686)	$ 22,117	$ 20,754
Net loss	$ (1,090)	$ (3,688)	$ (12,767)

Our aggregate investment in these partnerships at December 31, 2013 and 2012 of approximately $124.9 million and $131.0 million, respectively, exceeds our share of the underlying equity in the net assets of our joint ventures by approximately $19.0 million and $18.4 million, respectively, primarily due to capitalized interest and other costs incurred in connection with the ventures.

Guarantees

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

Note 5 - Outstanding Indebtedness

As of December 31, 2013, our outstanding indebtedness of approximately $1.5 billion consisted of mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility, excluding approximately $44.4 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2012, our outstanding indebtedness of $1.5 billion consisted of mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility, excluding approximately $45.0 million representing our proportionate share of debt associated with unconsolidated joint ventures.

As of December 31, 2013, the gross book value of our consolidated properties was approximately $3.7 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. As of December 31, 2012, the total gross book value of our consolidated properties was approximately $3.4 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. Our debt has various covenants with which we were in compliance as of December 31, 2013 and 2012.

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Our outstanding indebtedness as of December 31, 2013 and 2012 is summarized below (in thousands):

	Interest Rate (1)	Maturity Date	As of December 31, 2013	2012
Senior Unsecured Notes:				
8 year, fixed rate (2)	5.68%	Jan-14	$	$ 50,000
9 year, fixed rate	5.43%	Apr-20	50,000	50,000
10 year, fixed rate (2)	5.77%	Apr-16	50,000	50,000
5 year, fixed rate (2)	6.11%	Jun-13		175,000
2 year, variable rate	1.52%	Feb-18	225,000	175,000
Private Placement 5 year, fixed rate	5.63%	Jun-15	40,000	40,000
Private Placement 7 year, fixed rate	6.31%	Jun-17	51,000	51,000
Private Placement 8 year, fixed rate	6.52%	Jun-18	41,500	41,500
Private Placement 11 year, fixed rate	6.95%	Jun-21	77,500	77,500
2011 Private Placement 5 year, fixed rate	4.02%	Aug-16	49,000	49,000
2011 Private Placement 7 year, fixed rate	4.69%	Aug-18	40,000	40,000
2011 Private Placement 8 year, fixed rate	4.97%	Aug-19	46,000	46,000
2011 Private Placement 10 year, fixed rate	5.42%	Aug-21	15,000	15,000
2011 Private Placement 11 year, fixed rate	5.50%	Aug-22	40,000	40,000
2011 Private Placement 12 year, fixed rate	5.57%	Aug-23	35,000	35,000
2012 Private Placement 10yr, fixed rate (2)	4.21%	Sept-22	90,000	90,000
2013 Private Placement 10yr, fixed rate	4.50%	Oct-23	275,000	
Mortgage Notes:				
111 Lake Drive	5.79%	Apr-13		4,885
Binney & Smith Distribution Center	6.97%	Jun-13		6,154
8 year, fixed rate	4.97%	Oct-13		16,283
Shelby 5	5.69%	Dec-13		5,651
1700 Desoto	6.00%	Apr-14	3,264	3,338
10 year, fixed rate (2)	5.31%	Jan-15	44,566	36,873
Cargo Ventures	5.77%	Feb-16	52,971	54,040
116 Lehigh Drive	6.08%	Aug-16	4,453	4,453
State Highway 225	6.25%	Aug-17	5,893	6,023
Shelby 4	7.40%	Dec-17	609	739
Miami Commerce Center	6.91%	Oct-18	2,948	3,455
Cabot	6.17%	Feb-19	50,357	51,108
Cabot	6.11%	Feb-20	66,387	67,393
7425 Pinemont	6.25%	Jul-20	2,488	2,523
Rollins Road	4.25%	Dec-21	19,021	19,502
Haven A	7.29%	Oct-22	7,676	8,282
Shelby 19	6.72%	Nov-22	8,171	8,829
740 Palmyrita	4.72%	Jun-23	6,155	
Haven G	4.72%	Jun-23	965	
6th & Rochester	4.96%	Aug-23	3,147	3,394
Mohawk	5.75%	Aug-25	6,650	7,043
Weighted Avg./Totals (3)	4.67%		1,410,721	1,334,968
Premiums/Discounts, Net of Amortization	N/A		2,646	7,346
Total Senior Unsecured Notes and Mortgage Notes	N/A		1,413,367	1,342,314
Senior Unsecured Revolving Credit Facility	1.34%	Feb-17	39,000	110,000
Total Carrying Value of Debt	N/A		$ 1,452,367	$ 1,452,314
Fixed Rate Debt (3)	5.32%		$ 1,185,721	$ 1,159,968
Premiums/Discounts, Net of Amortization	N/A		2,646	7,346
Variable Rate Debt (3)	1.49%		264,000	285,000
Total Carrying Value of Debt	N/A		$ 1,452,367	$ 1,452,314

(footnotes on following page)

(1) Interest rates for fixed rate debt are stated rates. Interest rates for variable rate debt are the interest rate charged as of the last payment in 2013.
(2) We settled certain derivative instruments related to these notes and the settlement amount of these derivative instruments are amortized to interest expense over the life of the assigned notes.
(3) Weighted average interest rates are based upon outstanding balances as of December 31, 2013.

Debt Payoffs, Refinancing and Issuance

During February 2013, we entered into an amendment with our syndicated bank group whereby we extended and increased our existing $175.0 million senior unsecured term loan to $225.0 million for a period of five years, extended our existing $300.0 million senior unsecured line of credit for a period of four years and received a commitment for an additional $175.0 million senior unsecured term loan with a term of two years. We closed on the additional $175.0 million in March 2013, which was used to refinance a scheduled June 2013 maturity of $175.0 million of other senior unsecured debt.

During March and April 2013, we retired $11.0 million mortgage notes previously scheduled to mature in April and June of 2013, using proceeds from the Company s senior unsecured revolving credit facility and our equity offerings.

During June 2013, we issued two secured mortgage notes with principal balances of $1.0 million and $6.2 million which mature in June 2023. The notes bear interest at a variable rate; however we have fixed the rate at 4.72% using two interest rate swaps (See Note 6 Financial Instruments and Hedging Activities for further detail). The notes require monthly payments of principal and interest.

During October 2013, the operating partnership issued $275.0 million aggregate principal amount of 4.50% senior notes due 2023 at 99.038% of face value in a private placement for net proceeds of approximately $269.6 million after offering costs. We primarily used the net proceeds to repay a $15.9 million mortgage note that was scheduled to mature in October 2013, a $50.0 million senior unsecured note that was scheduled to mature in January of 2014 and our $175.0 million senior unsecured term loan that was scheduled to mature in February 2015.

During the year ended December 31, 2012, we retired mortgage notes totaling approximately $64.7 million previously scheduled to mature in September 2012, October 2012, November 2012, January 2013 and January 2015, using proceeds from the Company s senior unsecured revolving credit facility and with proceeds from our equity offerings.

In September 2012, we issued $90.0 million of fixed rate, senior unsecured notes through a private placement offering. These senior unsecured notes mature in September 2022 and have a fixed interest rate of 4.21%. The notes require semi-annual interest payments. The proceeds from these notes were used to repay outstanding indebtedness and for general corporate purposes.

Debt Assumptions

During the year ended December 31, 2012, we assumed four mortgage notes with outstanding balances totaling $67.5 million in connection with property acquisitions. The assumed notes bear interest at rates ranging from 5.77% to 6.25% and require monthly payments of principal and interest. The notes mature at various dates from February 2016 to July 2020. We recorded approximately $5.8 million of premiums in connection with the assumption of these notes.

For the years ended December 31, 2013, 2012 and 2011, the amortization of all premiums/discounts resulted in a reduction of interest expense of approximately $2.1 million, $1.0 million and $1.1 million, respectively, including amounts from discontinued operations.

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Line of Credit

As of December 31, 2013, we had $39.0 million outstanding and $261.0 million available under our senior unsecured revolving credit facility. As of December 31, 2012, we had $110.0 million outstanding and $190.0 million available under our senior unsecured revolving credit facility.

Interest Expense and Capitalized Interest

During the years ended December 31, 2013, 2012 and 2011, we incurred interest expense of approximately $71.7 million, $73.7 million and $66.9 million, respectively, including amounts included in discontinued operations. We capitalized approximately $8.3 million, $4.3 million and $2.7 million of interest in 2013, 2012 and 2011, respectively, associated with certain development and redevelopment, and other construction activities.

Debt Maturities

The following table sets forth the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, as of December 31, 2013 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Senior Unsecured Revolving Credit Facility	Total
2014	$	$ 10,927	$	$ 10,927
2015	40,000	49,982		89,982
2016	99,000	61,184		160,184
2017	51,000	11,768	39,000	101,768
2018	306,500	6,412		312,912
Thereafter	628,500	145,448		773,948
Total	$ 1,125,000	$ 285,721	$ 39,000	$ 1,449,721

Note 6 - Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of December 31, 2013 and 2012, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

	Balances as of December 31, 2013		Balances as of December 31, 2012	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings [(1)]:				
Senior unsecured revolving credit facility	$ 39,000	$ 39,000	$ 110,000	$ 110,000
Fixed rate debt [(2)]	$ 1,188,367	$ 1,263,722	$ 1,167,314	$ 1,306,761
Variable rate debt	$ 225,000	$ 226,153	$ 175,000	$ 176,922
Interest rate contracts:				
Interest rate swap [(3)]	$ 212	$ 212	$	$

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

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

(3) The fair value of our interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows based on an expectation of future interest rates derived from Level 2 observable market interest rate curves. We also incorporate a credit valuation adjustment, which is derived using unobservable Level 3 inputs, to appropriately reflect both our nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurement.

The following table displays a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2013 and 2012 (in thousands). The table also displays gains and losses due to changes in fair value, including both realized and unrealized, recognized in the Consolidated Statements of Operations for Level 3 liabilities. When assets and liabilities are transferred between levels, we recognize the transfer at the beginning of the period. There were no transfers between levels during the years ended December 31, 2013 and 2012.

	During the Year Ended December 31,	
	2013	2012
Level 3 Assets (Liabilities):		
Interest Rate Swaps:		
Beginning balance at January 1	$	$ (26,746)
Net unrealized income (loss) included in accumulated other comprehensive loss	123	(6,127)
Realized loss recognized in interest expense	89	(677)
Cash paid for settlement of hedge		33,550
Ending balance at December 31	$ 212	$

Hedging Activities

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The first pay-fixed, receive-floating swap has a notional amount of $6.2 million, an effective date of June 2013 and a maturity date of June 2023. The second pay-fixed, receive-floating swap has a notional amount of $1.0 million, 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%. During July 2012, we settled our forward-starting swap for $33.6 million, which was in place to hedge the variability of cash flows associated with forecasted issuances of debt, contemporaneously with locking rate for $90.0 million of debt which was funded in September 2012.

On a recurring basis, we measure our derivatives at fair value, which was a gross asset of approximately $0.2 million as of December 31, 2013. This amount was included in Other assets, net in our Consolidated Balance Sheet. The fair value of our derivatives was determined using Level 2 and 3 inputs. We utilized a third-party derivative valuation expert to assist in the determination of the fair value for each reporting period. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings and is recorded as Interest expense in our Consolidated Statements of Operations.

The following table presents the effect of our derivative financial instruments on our accompanying consolidated financial statements for the years ended December 31, 2013 and 2012 (in thousands):

	For the Year Ended		
	2013	2012	2011
Derivatives in Cash Flow Hedging Relationships			
Interest Rate Swaps:			
Amount of gain (loss) recognized in OCI for effective portion of derivatives	$ 675	$ (6,776)	$ (16,508)
Amount of loss reclassified from accumulated OCI for effective portion of derivatives into interest expense and equity earnings of unconsolidated joint ventures	$ (4,490)	$ (2,098)	$ (970)
Amount of loss recognized in interest expense due to missed forecast (ineffective portion and amount excluded from effectiveness testing)	$	$ 677	$

Amounts reported in Accumulated other comprehensive loss related to derivatives will be amortized to Interest expense as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $4.3 million will be reclassified from Accumulated other comprehensive loss to Interest expense resulting in an increase in interest expense.

Note 7 - Commitments and Contingencies

Legal Matters

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

Operating Leases

We are obligated under non-cancelable office space, ground and equipment operating leases. Approximate minimum annual rentals under operating leases are as follows (in thousands):

Year Ended December 31:	Operating Leases	Ground Leases
2014	$ 941	$ 509
2015	882	564
2016	726	559
2017	141	551
2018	23	551
Thereafter		10,234
Total	$ 2,713	$ 12,968

Substantially all of the office space and equipment subject to the operating leases described above are for the use at our corporate and regional offices. Rent expense recognized was approximately $0.9 million, $0.7 million and $1.1 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Note 8 - Noncontrolling Interests

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Our noncontrolling interests primarily represent limited partnership interests in our operating partnership and equity interests held by third-party partners in our consolidated real estate joint

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ventures. Our noncontrolling interests held by third-party partners in our consolidated joint ventures totaled $12.0 million and $11.0 million as of December 31, 2013 and 2012, respectively.

Noncontrolling interests representing interests in our operating partnership including OP Units, LTIP Units and preferred shares in our Cabot REIT are classified as permanent equity in accordance with GAAP and are included in Noncontrolling interests in our Consolidated Balance Sheets.

OP Units

As of December 31, 2013 and 2012, we owned approximately 94.8% and 93.3%, respectively, of the outstanding equity interests of our operating partnership. Upon redemption by the unitholder, we have the option of redeeming the OP Units with cash or with shares of our common stock on a one-for-one basis, subject to adjustment.

During the year ended December 31, 2013, 3.1 million OP Units were redeemed for approximately $1.5 million in cash and approximately 2.9 million shares of common stock. As of December 31, 2013 there was a total of 16.4 million OP Units outstanding and redeemable, with a redemption value of approximately $116.9 million based on the closing price of our common stock on December 31, 2013, all of which were redeemable for cash or stock, at our election.

During the year ended December 31, 2012, 6.2 million OP Units were redeemed for approximately $3.3 million in cash and approximately 5.7 million shares of common stock. As of December 31, 2012, there was a total of 19.5 million OP Units outstanding and redeemable, with a redemption value of approximately $126.8 million based on the closing price of our common stock on December 31, 2012.

LTIP Units

We may grant limited partnership interests in our operating partnership called LTIP Units. LTIP Units, which we grant either as free-standing awards or together with other awards under our Long-Term Incentive Plan, as amended, are valued by reference to the value of our common stock, and are subject to such conditions and restrictions as our compensation committee may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives. See Note 11 Equity Based Compensation for details related to grants and redemptions of LTIP Units during the years ended December 31, 2013, 2012, and 2011.

The following table illustrates the noncontrolling interests share of our consolidated net income (loss) during the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Noncontrolling interests share of loss from continuing operations	$ 1	$ 2,644	$ 4,882
Noncontrolling interests share of income from discontinued operations	(1,603)	(990)	(1,289)
Net (income) loss attributable to noncontrolling interests	$ (1,602)	$ 1,654	$ 3,593

Note 9 - Stockholders Equity

Common Stock

As of December 31, 2013 and 2012, approximately 320.3 million and 280.3 million shares of common stock were issued and outstanding, respectively.

On May 29, 2013, we registered a third continuous equity offering program, to replace our continuous equity offering program previously registered on November 20, 2012. Pursuant to this offering, we may sell up to

20 million shares of common stock from time-to-time through May 29, 2016 in at-the-market offerings or certain other transactions. During the year ended December 31, 2013, we issued approximately 13.8 million shares through the second and third continuous equity offering programs at an average price of $7.37 per share for proceeds of $100.4 million, net of offering expenses. The proceeds from the sale of shares were used for general corporate purposes, including funding acquisitions and repaying debt. During the year ended December 31, 2012, we issued approximately 9.5 million shares through the second continuous equity offering program, at an average price of $6.33 per share for proceeds of $59.2 million, net of offering expenses. As of December 31, 2013, 16.6 million shares remain available to be issued under the current offering.

On August 13, 2013, we issued 23.0 million shares of common stock in a public offering at a price of $7.20 per share for proceeds of $158.2 million, net of offering expenses, used for acquisitions, development activities, repayment of amounts under our senior unsecured revolving credit facility and other general purposes.

On September 12, 2012, we issued approximately 19.0 million shares of common stock in a public offering at a price of $6.20 per share for proceeds of $112.1 million, net of offering expenses, used for acquisitions and other general corporate purposes.

During the year ended December 31, 2013, we issued approximately 2.9 million shares of common stock, related to the redemption of OP Units (see additional information in Note 8 Noncontrolling Interests) and approximately 0.2 million shares of common stock related to vested shares of restricted stock, phantom shares and stock option exercises.

During the year ended December 31, 2012, we issued approximately 5.7 million shares of common stock in connection with redemptions of OP Units and approximately 0.2 million shares of common stock related to vested shares of restricted stock, phantom shares and stock option exercises.

The net proceeds from the sales of our securities are transferred to our operating partnership for a number of OP Units equal to the shares of common stock sold in our public and private offerings, including the offerings noted above.

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

Dividend Reinvestment and Stock Purchase Plan

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

Preferred Shares

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of 50,000,000 preferred shares of any class or series. The rights and terms of such preferred shares will be determined by our board of directors. However, the voting rights of preferred stockholders shall never exceed the voting rights of common stockholders. As of December 31, 2013 and 2012, we had no outstanding shares of preferred stock.

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Shares-in-Trust

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of shares-in-trust which are shares that are automatically exchanged for common or preferred shares as a result of an event that would cause an investor to own, beneficially or constructively, a number of shares in excess of certain limitations. As of December 31, 2013 and 2012, we had no outstanding shares-in-trust.

Distributions

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

Amount Declared During Quarter Ended in 2013:	Per Share	Date Paid
December 31,	$ 0.07	January 9, 2014
September 30,	0.07	October 16, 2013
June 30,	0.07	July 17, 2013
March 31,	0.07	April 17, 2013
Total 2013	$ 0.28	

Amount Declared During Quarter Ended in 2012:	Per Share	Date Paid
December 31,	$ 0.07	January 10, 2013
September 30,	0.07	October 17, 2012
June 30,	0.07	July 18, 2012
March 31,	0.07	April 18, 2012
Total 2012	$ 0.28	

Amount Declared During Quarter Ended in 2011:	Per Share	Date Paid
December 31,	$ 0.07	January 12, 2012
September 30,	0.07	October 18, 2011
June 30,	0.07	July 19, 2011
March 31,	0.07	April 19, 2011
Total 2011	$ 0.28	

Note 10 - Earnings per Share

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

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

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The following table sets forth the computation of our basic and diluted earnings per common share (in thousands except per share information):

.	For the Year Ended December 31, 2013	2012	2011
Earnings per Common share Basic and Diluted			
Numerator			
Loss from continuing operations	$ (9,251)	$ (28,540)	$ (42,503)
Loss from continuing operations attributable to noncontrolling interests	1	2,644	4,882
Loss from continuing operations attributable to common stockholders	(9,250)	(25,896)	(37,621)
Less: Distributed and undistributed earnings allocated to participating securities	(692)	(524)	(443)
Numerator for adjusted loss from continuing operations attributable to common stockholders	(9,942)	(26,420)	(38,064)
Income from discontinued operations	26,723	11,800	13,660
Noncontrolling interests share of income from discontinued operations	(1,603)	(990)	(1,289)
Numerator for income from discontinued operations attributable to common stockholders	25,120	10,810	12,371
Adjusted net income (loss) attributable to common stockholders	$ 15,178	$ (15,610)	$ (25,693)
Denominator			
Weighted average common shares outstanding basic and dilutive	298,769	254,831	242,591
Earnings per Common Share Basic and Diluted			
Loss from continuing operations	$ (0.03)	$ (0.10)	$ (0.16)
Income from discontinued operations	0.08	0.04	0.05
Net income (loss) attributable to common stockholders	$ 0.05	$ (0.06)	$ (0.11)

Potentially Dilutive Shares

We have excluded from diluted earnings per share the weighted average common share equivalents related to approximately 5.8 million, 5.5 million and 5.7 million stock options and phantom stock for the years ended December 31, 2013, 2012, and 2011 respectively, because their effect would be anti-dilutive.

Note 11 - Equity Based Compensation

Long-Term Incentive Plan

On October 10, 2006, we adopted, and our stockholders approved, our Long-Term Incentive Plan, as amended. We use our Long-Term Incentive Plan to grant restricted stock, stock options and other equity awards to our personnel and directors. Subject to adjustment upon certain corporate transactions or events, the total number of shares of our common stock subject to such awards may not exceed 23.0 million shares and in no event may any optionee receive options for more than 2.0 million shares on an annual basis.

Phantom Shares

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

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Restricted Stock

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

LTIP Units

Our LTIP Units generally vest ratably over a period of four to five years, depending on the grant. Vested LTIP Units can be redeemed for OP Units on a one-for-one basis which are converted to common stock upon redemption.

During the year ended December 31, 2013, 0.7 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of $4.6 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 52% and a risk-free interest rate of 0.84%.

During the year ended December 31, 2012, 0.7 million LTIP Units were granted to senior executives, which vest over a four or five year period with a total fair value of $3.9 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 72% and risk-free interest rates ranging from 0.82% to 1.04%.

During the year ended December 31, 2011, we granted 0.6 million LTIP Units to senior executives, which vest over a period of four to five years with a total fair value $3.0 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using volatility factors ranging from 67% to 71% and risk-free interest rates ranging from 0.85% to 2.18%.

Multi-Year Outperformance Program

On January 11, 2011, we adopted a multi-year outperformance program, which is a long-term incentive compensation program, and granted awards under the program to certain officers and senior executives.

The awards entitle participants to receive shares of common stock with a maximum value of $10 million based on the absolute and relative total return to stockholders during the three-year performance period beginning on December 31, 2009. Half of the awards are based on our absolute total return to stockholders during the performance period and the other half are based on our relative total return to stockholders during the performance period compared to the performance of the MSCI US REIT Index during the same period.

Each participant s award is designated as a specified percentage of the aggregate award value earned during the performance period, and participants are also entitled to a share of any unallocated portion of the aggregate award value. At the end of the performance period, each participant will be issued shares of our common stock with a value equal to that participant s share of the aggregate award value. Half of the shares of common stock issued will be fully vested upon issuance at the end of the performance period and the remaining half will vest on the first anniversary of that date based on continued employment. We may also permit participants to elect to receive their awards in the form of LTIP Units or other equivalent forms of equity in lieu of shares of common stock.

During the year ended December 31, 2013, we issued approximately 0.4 million LTIP Units with a grant date fair value of approximately $2.4 million. We did not grant any awards under the program during 2012 or 2011.

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

	Phantom Shares	Restricted Stock	LTIP Units
During the year ended December 31, 2013:			
Common stock issued for vested awards (in thousands)	20	187	
Fair value of awards vested (in millions)	$ 0.4	$ 1.2	$ 2.1
Awards outstanding at end of period (in millions)	0.2	0.6	3.0
During the year ended December 31, 2012:			
Common stock issued for vested awards (in thousands)	14	130	687
Fair value of awards vested (in millions)	$ 0.3	$ 0.7	$ 1.2
Awards outstanding at end of period (in millions)	0.2	0.5	1.9
During the year ended December 31, 2011:			
Common stock issued for vested awards (in thousands)	46	120	82
Fair value of awards vested (in millions)	$ 0.3	$ 0.6	$ 4.6
Awards outstanding at end of period (in millions)	0.1	0.4	1.9

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

	Phantom Shares		Restricted Stock		LTIP Units	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2010	54	$ 5.17	386	$ 4.82	1,329	$ 5.91
Granted	55	5.71	159	5.54	553	5.41
Vested	(54)	5.17	(123)	5.01	(653)	7.03
Forfeited			(74)	5.35	(219)	5.54
Unvested at December 31, 2011	55	$ 5.71	348	$ 4.97	1,010	$ 5.04
Granted	71	5.88	285	5.62	723	5.64
Vested	(55)	5.71	(130)	5.06	(237)	5.07
Forfeited			(6)	5.33		
Unvested at December 31, 2012	71	$ 5.88	497	$ 5.32	1,496	$ 5.14
Granted	55	7.67	285	7.13	1,065	6.87
Vested	(71)	5.88	(187)	5.02	(791)	5.73
Forfeited			(42)	6.02		
Unvested at December 31, 2013	55	$ 7.67	553	$ 6.30	1,770	$ 6.04

Stock Options

We may grant stock options to certain employees pursuant to our Long-Term Incentive Plan, as amended. The term of such options is 10 years from the date of grant unless forfeited earlier and the period during which the right to exercise such options fully vests ranges from four to five years from the date of grant. No stock options were granted under our Long-Term Incentive Plan, as amended, prior to 2007. During the year ended December 31, 2013, we issued approximately 33,000 shares of common stock upon the exercise of options to purchase our common stock by certain employees. We did not grant any options during the years ended December 31, 2013 and 2012.

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During the year ended December 31, 2011, options issued under the Long-Term Incentive Plan, as amended, were valued using the Black-Scholes option pricing model. The table below sets forth the assumptions used in valuing such options:

	2011
Expected term [(1)]	5.50 6.25 years
Expected volatility	48.18% 64.51%
Weighted average volatility	48.04%
Expected dividend yield	5.05% 5.77%
Weighted average dividend yield	5.02%
Risk-free interest rate	0.97% 2.55%

(1) We use the simplified method to determine the estimated life of our option awards as sufficient historical exercise data is unavailable. Under the simplified method the expected term is calculated as the midpoint between the vesting and the end of the contractual term of the option.

Employee Option Plan

Prior to October 6, 2006, we issued stock options under the Employee Option Plan, which was designed to enable us, our former advisor and its affiliates to obtain or retain the services of employees (not to include our directors) of our former advisor and its affiliates considered essential to our long-term success and the success of our former advisor and its affiliates by offering such employees an opportunity to participate in our growth through ownership of our shares. No employee options were granted under this plan subsequent to 2006.

Independent Director Option Plan

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

Stock Options Summary Table

Stock options granted under the Long-Term Incentive Plan, the Employee Option Plan and the Independent Director Option Plan are amortized on a straight-line basis over the service period during which the right to exercise such options fully vests.

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The following table describes the total options outstanding, granted, exercised, expired and forfeited as of and during the years ended December 31, 2013, 2012 and 2011, as well as the total options exercisable as of December 31, 2013 (number of options and intrinsic value in thousands):

	Independent Director Option Plan	Employee Option Plan	Long-Term Incentive Plan	Weighted Average Option Price Per Share	Weighted Average Fair Value of Options Granted During the Year	Weighted Average Remaining Contractual Life (Years)	Intrinsic Value
Issued and Outstanding as of December 31, 2010	80	74	3,598	$ 6.65			
Granted			441	5.54	$ 1.66		
Exercised			(243)	3.64			$ 338
Forfeited and/or expired	(15)	(74)	(757)	7.57			
Issued and Outstanding as of December 31, 2011	65		3,039	$ 6.48			
Granted					$		
Exercised			(321)	3.49			$ 846
Forfeited and/or expired			(11)	8.27			
Issued and Outstanding as of December 31, 2012	65		2,707	$ 6.82			
Granted					$		
Exercised			(100)	4.37			$ 309
Forfeited and/or expired	(20)		(21)	9.37			
Issued and Outstanding as of December 31, 2013	45		2,586	$ 6.87		4.60	$ 3,729
Exercisable as of December 31, 2013	45		2,339	$ 6.87		4.80	$ 3,261

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Equity Compensation Expense

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

	For the Year Ended December 31,		
	2013	2012	2011
Phantom Shares	$ 0.4	$ 0.4	$ 0.3
Restricted Stock	1.2	1.0	0.7
LTIP Units	3.3	2.5	3.0
Stock Options	0.2	0.4	0.6
Total Equity Compensation Expense	5.1	4.3	4.6
Less Amount Capitalized Due to Development and Leasing Activities	(1.1)	(0.7)	(0.5)
Net Equity Compensation Expense	$ 4.0	$ 3.6	$ 4.1

The following table summarizes the remaining unrecognized expense and remaining period over which we expect to amortize the expense as of December 31, 2013 related to phantom shares, restricted stock, LTIP Units and stock options (dollars in millions):

	Unrecognized Expense as of December 31, 2013	Remaining Period to Recognize Expense
Phantom Shares	$ 0.1	4 months
Restricted Stock	$ 2.6	2.5 years
LTIP Units	$ 6.5	2.6 years
Stock Options	$ 0.2	1.0 years

Note 12 - Related Party Transactions

8th and Vineyard Consolidated Joint Venture

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

Southern California Consolidated Ventures

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

Note 13 - Income and Other Taxes

We operate and expect to continue to operate in a manner to meet all the requirements to qualify for REIT status. We have made our REIT election under Section 856 of the Code for the taxable year ended December 31,

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

Summary of Current and Deferred Income Taxes

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

	For the Year Ended December 31,		
	2013	2012	2011
Income tax expense (benefit)			
Current:			
Federal	$ 51	$ 26	$ 64
State	813	825	783
Foreign	(11)	62	22
Total current tax expense (benefit)	$ 853	$ 913	$ 869
Deferred:			
Federal	$ (755)	$ (188)	$ (638)
State	(41)	(9)	(88)
Total deferred tax expense (benefit)	$ (796)	$ (197)	$ (726)
Total income tax expense (benefit)	$ 57	$ 716	$ 143
Consolidated Statements of Operations classification			
Continuing operations expense	$ 68	$ 671	$ 132
Discontinued operations expense (benefit)	$ (11)	$ 45	$ 11

Foreign income taxes are accrued for foreign countries in which DCT operates in accordance with the applicable local laws and regulations, taking into account provisions of applicable double tax treaties. During the years ended December 31, 2013, 2012, and 2011, we incurred $(11,000), $62,000 and $22,000 of foreign income tax (benefit) expenses, respectively, resulting from our operations in Mexico. As of December 31, 2012, we had a $0.6 million value added tax and other tax receivable outstanding.

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Deferred Income Taxes

Deferred income taxes represent the tax effect of temporary differences between the book and tax basis of assets and liabilities. As of December 31, 2013, we had recorded a $2.3 million deferred tax asset, net of valuation allowance of $2.3 million, included in the Consolidated Balance Sheets in Other assets, net , and a $0.8 million deferred tax liability, included in the Consolidated Balance Sheets in Other liabilities , for federal and state income taxes on our taxable REIT subsidiaries. As of December 31, 2012, we had recorded a $1.8 million deferred tax asset, net of valuation allowance of $2.5 million, and a $1.2 million deferred tax liability for federal and state income taxes on our taxable REIT subsidiaries. Deferred tax assets (liabilities) were as follows (in thousands):

	December 31, 2013	
	2013	2012
Deferred tax assets:		
Depreciation and amortization	$ 1,673	$ 1,399
Section 163(j) interest limitations	1,835	1,729
Unearned income	560	249
Net operating loss carryforwards	511	878
Other	(5)	70
Total deferred tax assets	$ 4,574	$ 4,325
Valuation allowance	(2,274)	(2,507)
Deferred tax assets, net	$ 2,300	$ 1,818
Deferred tax liabilities:		
Basis difference investment in properties	$ (509)	$ (513)
Basis difference straight-line rent	(340)	(665)
Total deferred tax liabilities	$ (849)	$ (1,178)
Net deferred tax assets	$ 1,451	$ 640

Note 14 - Segment Information

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

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The following table reflects our total assets, net of accumulated depreciation and amortization, by segment, as of December 31, 2013 and 2012 (in thousands):

	December 31, 2013	December 31, 2012
Segments:		
East assets	$ 1,026,416	$ 875,845
Central assets	1,034,814	1,107,561
West assets	1,018,246	863,003
Total segment net assets	3,079,476	2,846,409
Non-segment assets:		
Non-segment cash and cash equivalents	25,671	8,653
Other non-segment assets [(1)]	152,620	149,285
Assets held for sale	8,196	52,852
Total assets	$ 3,265,963	$ 3,057,199

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

The following table sets forth the rental revenues of our segments in continuing operations and a reconciliation of our segment rental revenues to our reported consolidated total revenues for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31, 2013	2012	2011
East	$ 95,682	$ 82,909	$ 79,920
Central	111,017	90,037	76,376
West	79,519	63,893	55,240
Rental revenues	286,218	236,839	211,536
Institutional capital management and other fees	2,787	4,059	4,291
Total revenues	$ 289,005	$ 240,898	$ 215,827

The following table sets forth property net operating income of our segments in continuing operations and a reconciliation of our property NOI to our reported Loss from continuing operations for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31, 2013	2012	2011
East	$ 69,853	$ 60,666	$ 58,212
Central	76,327	61,800	50,660
West	60,013	47,983	41,297
Property NOI [(1)]	206,193	170,449	150,169
Institutional capital management and other fees	2,787	4,059	4,291
Real estate related depreciation and amortization	(130,002)	(109,993)	(103,333)

Casualty and involuntary conversion gain	296	1,174	
Development profit	268	307	
General and administrative	(28,010)	(25,763)	(25,251)
Equity in earnings (loss) of unconsolidated joint ventures, net	2,405	1,087	(2,556)
Impairment losses on investments in unconsolidated joint ventures			(1,953)
Interest expense	(63,394)	(69,274)	(63,645)
Interest and other income (expense)	274	85	(93)
Income tax expense and other taxes	(68)	(671)	(132)
Loss from continuing operations	$ (9,251)	$ (28,540)	$ (42,503)

(1) Property net operating income (property NOI) is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes depreciation, amortization, impairment, general and administrative expenses and interest expense. 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 property such as depreciation, amortization, impairment, general and administrative expenses, and interest expense. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income (loss) attributable to common stockholders, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

Included in the Central operating segment were assets as of December 31, 2012 of approximately $74.2 attributable to the Mexico operations. During October 2013, we sold our entire portfolio of assets located in Mexico consisting of 15 properties totaling 1.7 million square feet for gross proceeds of $82.7 million.

Note 15 - Discontinued Operations and Assets Held for Sale

We report results of operations from real estate assets that meet the definition of a component of an entity and have been sold, or meet the criteria to be classified as held for sale, as discontinued operations. During the year ended December 31, 2013, we sold 51 operating properties to unrelated third-parties. Three of these properties were in the East operating segment, 47 were in the Central operating segment and one was in the West operating segment, together totaling approximately 6.8 million square feet. These sales resulted in gains of approximately $33.6 million and impairment losses totaling approximately $13.3 million. The impairment charge was recorded on a portfolio of 15 properties in Dallas sold in a single transaction as the assets carrying value exceeded their estimated fair value less costs to sell. The estimated fair value of these properties was based upon the contractual sales price, a Level 2 fair value measurement. We also classified one property in our Central operating segment as held for sale as of December 31, 2013.

During the year ended December 31, 2012, we sold 36 operating properties to unrelated third-parties. Sixteen of these properties were in the Central operating segment and 20 were in the East operating segment, together totaling approximately 4.1 million square feet. These sales resulted in gains of approximately $13.4 million and impairment losses totaling approximately $11.4 million. The impairment charge was recorded on a portfolio of 13 properties in Atlanta as the assets carrying value exceeded their estimated fair value less costs to sell. The estimated fair value of these properties was based upon the contractual sales price, a Level 2 fair value measurement.

During the year ended December 31, 2011, we sold 16 operating properties to unrelated third-parties. Six of the properties sold were in the Central operating segment and ten were in the East operating segment, together totaling approximately 2.7 million square feet. These sales resulted in gains of approximately $12.0 million and impairment losses totaling approximately $8.2 million. The impairment charge was recorded on a portfolio of nine properties in Charlotte as the assets carrying value exceeded their estimated fair value less costs to sell. The estimated fair value of these properties was based upon the contractual sales price, a Level 2 fair value measurement.

For the years ended December 31, 2013, 2012 and 2011 income from discontinued operations includes the results of operations of these properties prior to the date of sale. We included all results of these discontinued operations in a separate component of income in our Consolidated Statements of Operations under the heading Income from discontinued operations. This treatment resulted in certain reclassifications of financial statement amounts for the years ended December 31, 2013, 2012 and 2011. For further details of our policy on discontinued operations, impairment of assets held for sale and related fair value measurements, see Note 2 Summary of Significant Accounting Policies.

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The following is a summary of the components of income from discontinued operations for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	2013	2012	2011
Rental revenues	$ 17,234	$ 34,061	$ 46,743
Rental expenses and real estate taxes	(3,538)	(7,735)	(11,095)
Real estate related depreciation and amortization	(7,118)	(16,694)	(25,656)
General and administrative	(157)	(301)	(676)
Operating income	6,421	9,331	9,316
Casualty gain		450	1,298
Interest expense		(129)	(609)
Interest and other income (expense)	(49)	232	(157)
Income tax benefit (expense) and other taxes	11	(45)	(11)
Operating income and other income	6,383	9,839	9,837
Gain on dispositions of real estate interests	33,619	13,383	12,030
Impairment losses	(13,279)	(11,422)	(8,207)
Income from discontinued operations	$ 26,723	$ 11,800	$ 13,660

Note 16 - Quarterly Results (Unaudited)

The following tables present selected unaudited quarterly financial data for each quarter during the years ended December 31, 2013 and 2012 (in thousands except per share information). Certain reclassifications have been made to prior period results to conform to the current presentation, related to discontinued operations. The following disclosures exclude the results from discontinued operations (see Note 15 Discontinued Operations and Assets Held for Sale for additional information):

	For the Quarter Ended				For the Year Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Total revenues	$ 68,121	$ 70,031	$ 73,730	$ 77,123	$ 289,005
Total operating expenses	$ 55,406	$ 59,566	$ 58,480	$ 64,289	$ 237,741
Operating income	$ 12,715	$ 10,465	$ 15,250	$ 12,834	$ 51,264
Income (loss) from continuing operations	$ (3,430)	$ (4,551)	$ 1,010	$ (2,280)	$ (9,251)
Income (loss) from discontinued operations	$ 5,066	$ 16,218	$ (11,793)	$ 17,232	$ 26,723
Net (income) loss attributable to common stockholders	$ 1,279	$ 10,809	$ (10,157)	$ 13,939	$ 15,870
Earnings per common share basic:					
Income (loss) from continuing operations	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)	$ (0.03)
Income (loss) from discontinued operations	0.01	0.05	(0.03)	0.05	0.08
Net income (loss) attributable to common stockholders	$ 0.00	$ 0.04	$ (0.03)	$ 0.04	$ 0.05
Earnings per common share diluted:					
Income (loss) from continuing operations	$ (0.01)	$ (0.01)	$ 0.00	$ (0.01)	$ (0.03)
Income (loss) from discontinued operations	0.01	0.05	(0.03)	0.05	0.08
	$ 0.00	$ 0.04	$ (0.03)	$ 0.04	$ 0.05

Net income (loss) attributable to common stockholders					
Basic common shares outstanding	281,063	290,977	304,768	317,856	298,769
Diluted common shares outstanding	281,063	290,977	305,673	317,856	298,769

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	For the Quarter Ended				For the Year Ended
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012
Total revenues	$ 57,681	$ 57,856	$ 61,080	$ 64,281	$ 240,898
Total operating expenses	$ 48,841	$ 49,265	$ 51,738	$ 51,128	$ 200,972
Operating income	$ 8,840	$ 8,591	$ 9,342	$ 13,153	$ 39,926
Income (loss) from continuing operations	$ (9,138)	$ (8,721)	$ (6,704)	$ (3,977)	$ (28,540)
Income (loss) from discontinued operations	$ 2,308	$ (8,820)	$ 14,964	$ 3,348	$ 11,800
Net (income) loss attributable to common stockholders	$ (6,004)	$ (15,785)	$ 7,548	$ (845)	$ (15,086)
Earnings per common share basic and diluted:					
Income (loss) from continuing operations	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.01)	$ (0.10)
Income (loss) from discontinued operations	0.01	(0.03)	0.05	0.01	0.04
Net income (loss) attributable to common stockholders	$ (0.03)	$ (0.06)	$ 0.03	$ 0.00	$ (0.06)
Basic and diluted common shares outstanding	246,367	248,107	253,657	271,066	254,831

Note 17 - Subsequent Events

GAAP requires an entity to disclose events that occur after the balance sheet date but before financial statements are issued or are available to be issued (subsequent events) as well as the date through which an entity has evaluated subsequent events. There are two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, (recognized subsequent events). The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date (nonrecognized subsequent events). No significant recognized or nonrecognized subsequent events were noted other than those mentioned in Note 4 Investments in and Advances to Unconsolidated Joint Ventures.

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SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2013

			Initial Cost to Company [4]				Gross Amount Carried at 12/31/2013					
Property	**Number of Buildings**	**Encum-brances [5]**	**Land**	**Building & Improvements [1]**	**Total Costs**	**Costs Capitalized Subsequent to Acquisition**	**Land**	**Building & Improvements [1]**	**Total Costs [3][6]**	**Accumulated Depreciation [6]**	**Acquisition Date**	**Year Built**
		(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)		
Newpoint I	1	$	$ 2,143	$ 12,908	$ 15,051	$ (780)[2]	$ 2,088	$ 12,183	$ 14,271	$ (3,720)	03/31/04	1997
Eagles Landing	1		2,595	13,475	16,070	(603)[2]	2,595	12,872	15,467	(4,725)	06/08/04	2003
Southcreek	4		7,843	45,385	53,228	6,701	8,342	51,587	59,929	(16,636)	6/8/2004-2/13/2009	1999-2006
Breckinridge Industrial	2		1,950	10,159	12,109	(952)[2]	1,950	9,207	11,157	(2,603)	10/01/04	2000
Westgate Industrial	1	3,350	2,140	4,801	6,941	1,501	2,140	6,302	8,442	(1,859)	10/01/04	1988
Westpark Industrial	2		2,176	6,719	8,895	995	2,176	7,714	9,890	(2,708)	10/01/04	1981
Cobb Industrial	2		1,120	5,249	6,369	(291)[2]	1,120	4,958	6,078	(1,423)	10/01/04	1996
Cabot Parkway Industrial	1		1,103	6,616	7,719	(542)[2]	1,103	6,074	7,177	(1,623)	10/01/04	2000
Atlanta NE Portfolio	1	3,795	1,197	9,647	10,844	(282)[2]	1,197	9,365	10,562	(2,644)	11/05/04	1987
Northmont Parkway	5	3,894	4,556	22,726	27,282	1,643	4,556	24,369	28,925	(7,444)	12/03/04	2003
Fulton Industrial Boulevard	3		1,850	13,480	15,330	1,642	1,850	15,122	16,972	(6,143)	07/21/05	1973-1996
Penney Road	1		401	4,145	4,546	325	401	4,470	4,871	(1,319)	07/21/05	2001
Southfield Parkway	1	1,661	523	3,808	4,331	(14)[2]	523	3,794	4,317	(1,122)	07/21/05	1994
Livingston Court	2		919	6,878	7,797	(266)[2]	919	6,612	7,531	(2,708)	07/21/05	1985
Peterson Place	3		466	6,015	6,481	21	466	6,036	6,502	(2,281)	07/21/05	1984
McGinnis Ferry	1		700	6,855	7,555	1,558	691	8,422	9,113	(1,849)	07/21/05	1993
South Royal Atlanta Drive	1		174	1,896	2,070	189	174	2,085	2,259	(722)	07/21/05	1986
Buford Development	1	2,738	1,370	7,151	8,521	1,879	1,370	9,030	10,400	(2,335)	03/31/06	2006
Evergreen Boulevard	2	8,829	3,123	14,265	17,388	(360)[2]	3,123	13,905	17,028	(3,909)	06/09/06	1999
Pleasantdale	1		790	1,503	2,293	312	819	1,786	2,605	(305)	07/11/11	1995
Evergreen Drive	1	4,497	1,580	7,359	8,939	582	1,580	7,941	9,521	(659)	04/10/12	2001
Johnson Road	2		1,372	4,707	6,079	222	1,372	4,929	6,301	(317)	03/28/13	2007
Southfield	1		954	3,153	4,107	42	954	3,195	4,149	(285)	05/10/13	1997
Battle Drive	1		4,950	13,990	18,940	172	4,950	14,162	19,112	(201)	10/03/13	1999
TOTAL ATLANTA MARKET	**41**	**28,764**	**45,995**	**232,890**	**278,885**	**13,694**	**46,459**	**246,120**	**292,579**	**(69,540)**		
Delta Portfolio	7		8,762	36,806								