

DCT Industrial Trust Inc.  
 Form 10-Q  
 August 05, 2016

UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

Form 10-Q  
 (Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
 For the quarterly period ended June 30, 2016

OR  
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
 For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
 Commission File Number 001-33201 (DCT Industrial Trust Inc.) 333-195185 (DCT Industrial Operating Partnership LP)

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

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Maryland (DCT Industrial Trust Inc.)	82-0538520
Delaware (DCT Industrial Operating Partnership LP)	82-0538522
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
518 Seventeenth Street, Suite 800	80202
Denver, Colorado	(Zip Code)
(Address of principal executive offices)	
(303) 597-2400	
(Registrant's telephone number, including area code)	

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

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

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

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

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

DCT Industrial Trust Inc.:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)			
DCT Industrial Operating Partnership LP:			
Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
(Do not check if a smaller reporting company)			

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

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DCT Industrial Trust Inc. Yes  No  DCT Industrial Operating Partnership LP Yes  No   
As of July 29, 2016, 90,149,506 shares of common stock of DCT Industrial Trust Inc., par value \$0.01 per share, were outstanding.

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## EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the period ended June 30, 2016 of DCT Industrial Trust Inc., a Maryland corporation, and DCT Industrial Operating Partnership LP, a Delaware limited partnership. Except as otherwise indicated herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT” or “DCT Industrial,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term the “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

We are a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. DCT has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. We own our properties through the Operating Partnership and its subsidiaries. As of June 30, 2016, DCT owned approximately 95.8% of the outstanding equity interests in the Operating Partnership.

We operate DCT and the Operating Partnership as one enterprise. The management of DCT consists of the same members as the management of the Operating Partnership. As general partner with control of the Operating Partnership, DCT consolidates the Operating Partnership for financial reporting purposes. DCT does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of DCT and the Operating Partnership are the same on their respective financial statements.

We believe combining the quarterly reports on Form 10-Q of DCT and the Operating Partnership into this single report results in the following benefits:

- enhances investors’ understanding of DCT and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosures and provides a more streamlined and readable presentation as a substantial portion of the Company’s disclosures apply to both DCT and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between DCT and the Operating Partnership in the context of how we operate as an interrelated consolidated company. DCT’s only material asset is its ownership of partnership interests in the Operating Partnership. As a result, DCT does not conduct business itself, other than acting as the sole general partner of the Operating Partnership and issuing public equity. DCT itself has not issued any debt, but guarantees the unsecured debt of the Operating Partnership. The Operating Partnership holds substantially all the assets of the business and conducts the operations of the business. Except for net proceeds from equity issuances by DCT, which are contributed to the Operating Partnership, the Operating Partnership generates capital through its operations, its borrowings and the issuance of partnership units to third parties.

Stockholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of DCT and those of the Operating Partnership. Equity interests in the Operating Partnership held by entities other than DCT are classified within partners’ capital in the Operating Partnership’s financial statements and as noncontrolling interests in DCT’s financial statements. Equity interests of 4.2% of the Operating Partnership were owned by executives and non-affiliated limited partners as of June 30, 2016.

To help investors understand the differences between DCT and the Operating Partnership, this report provides separate consolidated financial statements for DCT and the Operating Partnership; a single set of consolidated notes to such financial statements that includes separate discussions of each entity’s stockholders’ equity or partners’ capital, as applicable; and a combined Management’s Discussion and Analysis of Financial Condition and Results of Operations section that includes distinct information related to each entity.

This report also includes separate Part I, Item 4. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for DCT and the Operating Partnership in order to establish that the requisite certifications have been

made and that DCT and the Operating Partnership are both compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES  
DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES  
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## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except share information)

	June 30, 2016	December 31, 2015
ASSETS	(unaudited)	
Land	\$1,011,875	\$1,009,905
Buildings and improvements	3,032,314	2,886,859
Intangible lease assets	78,369	84,420
Construction in progress	100,180	159,397
Total investment in properties	4,222,738	4,140,581
Less accumulated depreciation and amortization	(783,879 )	(742,980 )
Net investment in properties	3,438,859	3,397,601
Investments in and advances to unconsolidated joint ventures	88,175	82,635
Net investment in real estate	3,527,034	3,480,236
Cash and cash equivalents	33,403	18,412
Restricted cash	50,470	31,187
Straight-line rent and other receivables, net of allowance for doubtful accounts of \$416 and \$335, respectively	71,992	60,357
Other assets, net	15,207	15,964
Assets held for sale	—	26,199
Total assets	\$3,698,106	\$3,632,355
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$96,201	\$108,788
Distributions payable	27,381	26,938
Tenant prepaids and security deposits	30,890	29,663
Other liabilities	38,556	18,398
Intangible lease liabilities, net	20,230	22,070
Line of credit	133,000	70,000
Senior unsecured notes	1,226,874	1,276,097
Mortgage notes	206,219	210,375
Liabilities related to assets held for sale	—	869
Total liabilities	1,779,351	1,763,198
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Shares-in-trust, \$0.01 par value, 100,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized 89,921,284 and 88,313,891 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	899	883
Additional paid-in capital	2,822,705	2,766,193
Distributions in excess of earnings	(986,185 )	(992,010 )
Accumulated other comprehensive loss	(29,172 )	(23,082 )

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Total stockholders' equity	1,808,247	1,751,984
Noncontrolling interests	110,508	117,173
Total equity	1,918,755	1,869,157
Total liabilities and equity	\$3,698,106	\$3,632,355

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

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

(unaudited, in thousands, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Rental revenues	\$95,597	\$88,115	\$189,574	\$176,177
Institutional capital management and other fees	305	423	698	801
Total revenues	95,902	88,538	190,272	176,978
<b>OPERATING EXPENSES:</b>				
Rental expenses	8,986	8,408	19,035	18,556
Real estate taxes	15,054	13,521	29,655	28,026
Real estate related depreciation and amortization	39,901	38,449	79,971	77,445
General and administrative	7,358	9,856	13,620	17,192
Casualty loss	162	—	162	—
Total operating expenses	71,461	70,234	142,443	141,219
Operating income	24,441	18,304	47,829	35,759
<b>OTHER INCOME (EXPENSE):</b>				
Development profit, net of taxes	—	2,627	—	2,627
Equity in earnings of unconsolidated joint ventures, net	935	1,036	1,819	1,843
Gain on dispositions of real estate interests	12,955	14,932	43,052	41,086
Interest expense	(15,635 )	(13,609 )	(32,057 )	(27,513 )
Interest and other income (expense)	48	(11 )	563	(29 )
Income tax expense and other taxes	(172 )	(278 )	(288 )	(471 )
Consolidated net income of DCT Industrial Trust Inc.	22,572	23,001	60,918	53,302
Net income attributable to noncontrolling interests	(1,154 )	(4,704 )	(3,109 )	(6,260 )
Net income attributable to common stockholders	21,418	18,297	57,809	47,042
Distributed and undistributed earnings allocated to participating securities	(106 )	(201 )	(334 )	(344 )
Adjusted net income attributable to common stockholders	\$21,312	\$18,096	\$57,475	\$46,698
<b>NET EARNINGS PER COMMON SHARE:</b>				
Basic	\$0.24	\$0.21	\$0.65	\$0.53
Diluted	\$0.24	\$0.20	\$0.64	\$0.53
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	89,748	88,187	89,066	88,139
Diluted	90,184	88,486	89,490	88,453



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Distributions declared per common share	\$0.29	\$0.28	\$0.58	\$0.56
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The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Consolidated net income of DCT Industrial Trust Inc.	\$22,572	\$23,001	\$60,918	\$53,302
Other comprehensive income (loss):				
Net derivative gain (loss) on cash flow hedging instruments	(3,437 )	58	(9,866 )	(455 )
Net reclassification adjustment on cash flow hedging instruments	1,670	1,158	3,412	2,311
Other comprehensive income (loss)	(1,767 )	1,216	(6,454 )	1,856
Comprehensive income	20,805	24,217	54,464	55,158
Comprehensive income attributable to noncontrolling interests	(1,107 )	(4,843 )	(2,745 )	(6,354 )
Comprehensive income attributable to common stockholders	\$19,698	\$19,374	\$51,719	\$48,804

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

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statement of Changes in Equity

(unaudited, in thousands)

	Total Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehen- sive Loss	Non-controlling Interests
Balance at December 31, 2015	\$1,869,157	88,314	\$ 883	\$2,766,193	\$ (992,010 )	\$ (23,082 )	\$ 117,173
Net income	60,918	—	—	—	57,809	—	3,109
Other comprehensive loss	(6,454 )	—	—	—	—	(6,090 )	(364 )
Issuance of common stock, net of offering costs	48,451	1,233	12	48,439	—	—	—
Issuance of common stock, stock-based compensation plans	(482 )	53	1	(483 )	—	—	—
Amortization of stock-based compensation	3,364	—	—	830	—	—	2,534
Distributions to common stockholders and noncontrolling interests	(55,161 )	—	—	—	(51,984 )	—	(3,177 )
Capital contributions from noncontrolling interests	99	—	—	—	—	—	99
Redemptions of noncontrolling interests	(1,137 )	321	3	7,726	—	—	(8,866 )
Balance at June 30, 2016	\$1,918,755	89,921	\$ 899	\$2,822,705	\$ (986,185 )	\$ (29,172 )	\$ 110,508

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

## DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Six Months Ended June 30,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Consolidated net income of DCT Industrial Trust Inc.	\$60,918	\$53,302
Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to net cash provided by operating activities:		
Real estate related depreciation and amortization	79,971	77,445
Gain on dispositions of real estate interests	(43,052 )	(41,086 )
Distributions of earnings from unconsolidated joint ventures	2,775	2,827
Equity in earnings of unconsolidated joint ventures, net	(1,819 )	(1,843 )
Stock-based compensation	2,740	2,540
Casualty loss	162	—
Straight-line rent	(11,158 )	(3,402 )
Other	2,910	(1 )
Changes in operating assets and liabilities:		
Other receivables and other assets	(2,039 )	10,668
Accounts payable, accrued expenses and other liabilities	5,720	(316 )
Net cash provided by operating activities	97,128	100,134
<b>INVESTING ACTIVITIES:</b>		
Real estate acquisitions	(8,698 )	(143,465)
Capital expenditures and development activities	(152,111)	(97,639 )
Proceeds from dispositions of real estate investments	106,144	136,188
Investments in unconsolidated joint ventures	(7,942 )	(840 )
Proceeds from casualties and involuntary conversion	600	—
Distributions of investments in unconsolidated joint ventures	653	1,014
Change in restricted cash	(19,788 )	(2,501 )
Other investing activities	(2,973 )	(940 )
Net cash used in investing activities	(84,115 )	(108,183)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from senior unsecured revolving line of credit	113,000	166,000
Repayments of senior unsecured revolving line of credit	(50,000 )	(54,000 )
Repayments of senior unsecured notes	(50,000 )	(40,000 )
Principal payments on mortgage notes	(3,309 )	(4,112 )
Net settlement on issuance of stock-based compensation awards	(482 )	(425 )
Proceeds from issuance of common stock	49,223	—
Offering costs for issuance of common stock and OP Units	(772 )	—
Redemption of noncontrolling interests	(1,137 )	(941 )
Dividends to common stockholders	(51,497 )	(49,387 )
Distributions to noncontrolling interests	(3,221 )	(2,985 )
Contributions from noncontrolling interests	99	—
Other financing activity	74	(2,818 )
Net cash provided by financing activities	1,978	11,332
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>14,991</b>	<b>3,283</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>18,412</b>	<b>19,631</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$33,403</b>	<b>\$22,914</b>

Supplemental Disclosures of Cash Flow Information

Cash paid for interest, net of capitalized interest	\$28,783	\$25,848
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Supplemental Disclosures of Non-Cash Activities

Retirement of fully depreciated and amortized assets	\$18,131	\$13,159
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Redemptions of OP Units settled in shares of common stock	\$7,729	\$2,350
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Assumption of mortgage notes in connection with real estate acquired	\$—	\$22,958
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The accompanying notes are an integral part of these Consolidated Financial Statements.

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except unit information)

	June 30, 2016	December 31, 2015
ASSETS	(unaudited)	
Land	\$1,011,875	\$ 1,009,905
Buildings and improvements	3,032,314	2,886,859
Intangible lease assets	78,369	84,420
Construction in progress	100,180	159,397
Total investment in properties	4,222,738	4,140,581
Less accumulated depreciation and amortization	(783,879 )	(742,980 )
Net investment in properties	3,438,859	3,397,601
Investments in and advances to unconsolidated joint ventures	88,175	82,635
Net investment in real estate	3,527,034	3,480,236
Cash and cash equivalents	33,403	18,412
Restricted cash	50,470	31,187
Straight-line rent and other receivables, net of allowance for doubtful accounts of \$416 and \$335, respectively	71,992	60,357
Other assets, net	15,207	15,964
Assets held for sale	—	26,199
Total assets	\$3,698,106	\$ 3,632,355
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	\$96,201	\$ 108,788
Distributions payable	27,381	26,938
Tenant prepaids and security deposits	30,890	29,663
Other liabilities	38,556	18,398
Intangible lease liabilities, net	20,230	22,070
Line of credit	133,000	70,000
Senior unsecured notes	1,226,874	1,276,097
Mortgage notes	206,219	210,375
Liabilities related to assets held for sale	—	869
Total liabilities	1,779,351	1,763,198
Partners' Capital:		
General Partner:		
OP Units, 938,789 and 923,532 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	19,367	18,806
Limited Partners:		
OP Units, 92,940,110 and 91,429,694 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	1,917,345	1,861,809
Accumulated other comprehensive loss	(30,455 )	(24,137 )
Total partners' capital	1,906,257	1,856,478
Noncontrolling interests	12,498	12,679
Total capital	1,918,755	1,869,157
Total liabilities and capital	\$3,698,106	\$ 3,632,355

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



## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statements of Operations

(unaudited, in thousands, except per unit information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>REVENUES:</b>				
Rental revenues	\$95,597	\$88,115	\$189,574	\$176,177
Institutional capital management and other fees	305	423	698	801
Total revenues	95,902	88,538	190,272	176,978
<b>OPERATING EXPENSES:</b>				
Rental expenses	8,986	8,408	19,035	18,556
Real estate taxes	15,054	13,521	29,655	28,026
Real estate related depreciation and amortization	39,901	38,449	79,971	77,445
General and administrative	7,358	9,856	13,620	17,192
Casualty loss	162	—	162	—
Total operating expenses	71,461	70,234	142,443	141,219
Operating income	24,441	18,304	47,829	35,759
<b>OTHER INCOME (EXPENSE):</b>				
Development profit, net of taxes	—	2,627	—	2,627
Equity in earnings of unconsolidated joint ventures, net	935	1,036	1,819	1,843
Gain on dispositions of real estate interests	12,955	14,932	43,052	41,086
Interest expense	(15,635 )	(13,609 )	(32,057 )	(27,513 )
Interest and other income (expense)	48	(11 )	563	(29 )
Income tax expense and other taxes	(172 )	(278 )	(288 )	(471 )
Consolidated net income of DCT Industrial Operating Partnership LP	22,572	23,001	60,918	53,302
Net income attributable to noncontrolling interests	(212 )	(3,824 )	(423 )	(3,977 )
Net income attributable to OP Unitholders	22,360	19,177	60,495	49,325
Distributed and undistributed earnings allocated to participating securities	(106 )	(201 )	(334 )	(344 )
Adjusted net income attributable to OP Unitholders	\$22,254	\$18,976	\$60,161	\$48,981
<b>NET EARNINGS PER OP UNIT:</b>				
Basic	\$0.24	\$0.21	\$0.65	\$0.53
Diluted	\$0.24	\$0.20	\$0.64	\$0.53
<b>WEIGHTED AVERAGE OP UNITS OUTSTANDING:</b>				
Basic	93,787	92,443	93,204	92,417
Diluted	94,223	92,742	93,628	92,731
Distributions declared per OP Unit	\$0.29	\$0.28	\$0.58	\$0.56

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





DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES  
 Consolidated Statements of Comprehensive Income  
 (unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Consolidated net income of DCT Industrial Operating Partnership LP	\$22,572	\$23,001	\$60,918	\$53,302
Other comprehensive income (loss):				
Net derivative gain (loss) on cash flow hedging instruments	(3,437 )	58	(9,866 )	(455 )
Net reclassification adjustment on cash flow hedging instruments	1,670	1,158	3,412	2,311
Other comprehensive income (loss)	(1,767 )	1,216	(6,454 )	1,856
Comprehensive income	20,805	24,217	54,464	55,158
Comprehensive income attributable to noncontrolling interests	(172 )	(3,894 )	(287 )	(3,994 )
Comprehensive income attributable to OP Unitholders	\$20,633	\$20,323	\$54,177	\$51,164

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

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statement of Changes in Capital

(unaudited, in thousands)

	Total Capital	General Partner OP Units		Limited Partners OP Units		Accumulated Other Comprehensive Loss	Non-controlling Interests
		Units	Amount	Units	Amount		
Balance at December 31, 2015	\$1,869,157	924	\$18,806	91,429	\$1,861,809	\$ (24,137 )	\$ 12,679
Net income	60,918	—	605	—	59,890	—	423
Other comprehensive loss	(6,454 )	—	—	—	—	(6,318 )	(136 )
Issuance of OP Units, net of selling costs	48,451	—	—	1,233	48,451	—	—
Issuance of OP Units, share-based compensation plans	(482 )	—	—	321	(482 )	—	—
Amortization of share-based compensation	3,364	—	—	—	3,364	—	—
Distributions to OP Unitholders and noncontrolling interests	(55,161 )	—	(546 )	—	(54,048 )	—	(567 )
Capital contributions from noncontrolling interests	99	—	—	—	—	—	99
Redemption of limited partner OP Units, net	(1,137 )	—	—	(28 )	(1,137 )	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	15	502	(15 )	(502 )	—	—
Balance at June 30, 2016	\$1,918,755	939	\$19,367	92,940	\$1,917,345	\$ (30,455 )	\$ 12,498

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

## DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Six Months Ended	
	June 30,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Consolidated net income of DCT Industrial Operating Partnership LP	\$60,918	\$53,302
Adjustments to reconcile consolidated net income of DCT Industrial Operating Partnership LP to net cash provided by operating activities:		
Real estate related depreciation and amortization	79,971	77,445
Gain on dispositions of real estate interests	(43,052 )	(41,086 )
Distributions of earnings from unconsolidated joint ventures	2,775	2,827
Equity in earnings of unconsolidated joint ventures, net	(1,819 )	(1,843 )
Share-based compensation	2,740	2,540
Casualty loss	162	—
Straight-line rent	(11,158 )	(3,402 )
Other	2,910	(1 )
Changes in operating assets and liabilities:		
Other receivables and other assets	(2,039 )	10,668
Accounts payable, accrued expenses and other liabilities	5,720	(316 )
Net cash provided by operating activities	97,128	100,134
<b>INVESTING ACTIVITIES:</b>		
Real estate acquisitions	(8,698 )	(143,465)
Capital expenditures and development activities	(152,111)	(97,639 )
Proceeds from dispositions of real estate investments	106,144	136,188
Investments in unconsolidated joint ventures	(7,942 )	(840 )
Proceeds from casualties and involuntary conversion	600	—
Distributions of investments in unconsolidated joint ventures	653	1,014
Change in restricted cash	(19,788 )	(2,501 )
Other investing activities	(2,973 )	(940 )
Net cash used in investing activities	(84,115 )	(108,183)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from senior unsecured revolving line of credit	113,000	166,000
Repayments of senior unsecured revolving line of credit	(50,000 )	(54,000 )
Repayments of senior unsecured notes	(50,000 )	(40,000 )
Principal payments on mortgage notes	(3,309 )	(4,112 )
Net settlement on issuance of share-based compensation awards	(482 )	(425 )
Proceeds from the issuance of OP Units in exchange for contributions from the REIT, net	48,451	—
OP Unit redemptions	(1,137 )	(941 )
Distributions paid on OP Units	(54,151 )	(52,035 )
Distributions to noncontrolling interests	(567 )	(337 )
Contributions from noncontrolling interests	99	—
Other financing activity	74	(2,818 )
Net cash provided by financing activities	1,978	11,332
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>14,991</b>	<b>3,283</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>18,412</b>	<b>19,631</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$33,403</b>	<b>\$22,914</b>

Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest	\$28,783	\$25,848
Supplemental Disclosures of Non-Cash Activities		
Retirement of fully depreciated and amortized assets	\$18,131	\$13,159
Assumption of mortgage notes in connection with real estate acquired	\$—	\$22,958

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

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

Note 1 – Organization

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. As used herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT” or “DCT Industrial,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term the “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

DCT was formed as a Maryland corporation in April 2002 and has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. DCT owns properties through the Operating Partnership and its subsidiaries. As of June 30, 2016, DCT owned approximately 95.8% of the outstanding equity interests in the Operating Partnership.

As of June 30, 2016, the Company owned interests in approximately 72.0 million square feet of properties leased to approximately 900 customers, including:

63.4 million square feet comprising 392 consolidated operating properties that were 95.6% occupied;

7.5 million square feet comprising 23 unconsolidated properties that were 97.6% occupied and which we operated on behalf of three institutional capital management partners;

0.8 million square feet comprising four consolidated properties under redevelopment; and

0.2 million square feet comprising two consolidated properties in development.

In addition, the Company has 10 projects under construction, including one project in our unconsolidated Stirling Capital Investment joint venture, and several projects in pre-development. See “Note 3 – Investment in Properties” for further details.

Note 2 – Summary of Significant Accounting Policies  
Interim Financial Information

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited Consolidated Financial Statements include all adjustments, consisting of normal recurring items, necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with our audited Consolidated Financial Statements as of December 31, 2015 and related notes thereto included in our Form 10-K filed on February 19, 2016.

Basis of Presentation and Principles of Consolidation

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

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

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

We analyze our joint ventures in accordance with 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), our obligation or right to absorb its losses or receive its benefits and our ability to participate in major decisions.

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

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

#### Use of Estimates

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

#### Revenue Recognition

At the inception of a new lease arrangement, including new leases that arise from amendments, we assess the terms and conditions to determine the proper lease classification. A lease arrangement is classified as an operating lease if none of the following criteria are met: (i) transfer of ownership to the lessee, (ii) lessee has a bargain purchase option during or at the end of the lease term, (iii) the lease term is equal to 75% or more of the underlying property's economic life, or (iv) the present value of future minimum lease payments (excluding executory costs) are equal to 90% or more of the excess estimated fair value of the leased building. Generally our leases do not meet any of the criteria above and accordingly are classified as operating leases. We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, receivables from tenants that we expect to collect over the remaining lease term are recorded on the balance sheet as straight-line rent receivables. 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 \$5.7 million and \$11.2 million for the three and six months ended June 30, 2016, respectively, and approximately \$1.8 million and \$3.4 million for the three and

six months ended June 30, 2015, respectively.

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If the lease provides for tenant improvements, we determine whether the tenant improvements are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the leased asset until the tenant improvements are substantially complete. When we are the owner of the tenant improvements, any tenant improvements funded by the tenant are treated as lease payments which are deferred and amortized into income over the lease term. When the tenant is the owner of the tenant improvements, we record any tenant improvement allowance funded as a lease incentive and amortize it as a reduction of revenue over the lease term. Tenant recovery income includes reimbursements due from tenants pursuant to their leases for real estate taxes, insurance, repairs and maintenance and other recoverable property operating expenses and is recognized as "Rental revenues" during the period the related expenses are incurred. The reimbursements are recognized and presented on a gross basis, as the Company is generally the primary obligor and, with respect to purchasing goods and services from third party suppliers, has discretion in selecting the supplier and bears the associated credit risk. Tenant recovery income recognized as "Rental revenues" was approximately \$22.3 million and \$44.5 million for the three and six months ended June 30, 2016, respectively, and approximately \$20.5 million and \$42.2 million for the three and six months ended June 30, 2015, respectively.

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. In connection with property acquisitions qualifying as business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to "Rental revenues" over the reasonably assured term of the related leases. We consider a reasonably assured term to be the measurement period equal to the remaining non-cancelable term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining contractual lease term. The total net impact to "Rental revenues" due to the amortization of above and below market rents was an increase of approximately \$0.8 million and \$1.5 million in each corresponding period for the three and six months ended June 30, 2016 and 2015.

Early lease termination fees are recorded in "Rental revenues" on a straight-line basis over the estimated remaining contractual lease term or upon collection if collectability is not assured. The total net impact to "Rental revenues" due to early lease termination fees was approximately \$0.6 million and \$0.7 million for the three and six months ended June 30, 2016, respectively, and approximately \$0.5 million and \$1.2 million for the three and six months ended June 30, 2015, respectively.

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

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

in our Consolidated Statements of Operations.

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#### New Accounting Standards

In May 2014, the Financial Accounting Standards Boards (“FASB”) issued an accounting standards update (“ASU”) that requires companies to recognize revenue from contracts with customers based upon the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The FASB has subsequently issued additional ASUs that improve guidance and provide clarification to the new standard. The guidance is effective for fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. The Company is in the process of evaluating the impact this guidance will have on our Consolidated Financial Statements.

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

In February 2016, the FASB issued an ASU that modifies existing accounting standards for lease accounting. The new standard requires a lessee to record an asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. The new standard requires lessors to account for leases using an approach that is substantially the same as existing guidance for sales-type leases, direct financing leases and operating leases. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2016. The standard requires a modified retrospective transition approach for all capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with an option to use certain transition relief. The Company expects this guidance to impact our Consolidated Financial Statements and is in the process of evaluating whether the effect will be material.

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

### Note 3 – Investment in Properties

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

	June 30, 2016	December 31, 2015
Operating properties	\$3,992,644	\$ 3,791,721
Properties under development	128,247	242,906
Properties in pre-development	33,184	41,313
Properties under redevelopment	60,965	56,943
Land held	7,698	7,698
Total investment in properties	4,222,738	4,140,581
Less accumulated depreciation and amortization	(783,879 )	(742,980 )
Net investment in properties	\$3,438,859	\$ 3,397,601

#### Development Activity

Our properties under development include the following:

Two buildings totaling 0.2 million square feet that are currently in lease-up as shell-complete activities have been completed as of June 30, 2016, including one building totaling 0.1 million square feet that was shell-complete upon acquisition. These properties are 52.8% leased based on weighted average square feet; and

Ten projects are under construction, including one project in our unconsolidated Stirling Capital Investment joint venture, totaling 2.6 million square feet.

During the six months ended June 30, 2016, we acquired 40.6 acres of land in the Baltimore/Washington D.C. and Dallas markets for approximately \$8.3 million that is held for future development.

#### Disposition Activity

During the six months ended June 30, 2016, we sold 11 consolidated operating properties totaling 2.0 million square feet from our Chicago, Houston, Louisville and Northern California markets to third-parties for gross proceeds of approximately \$108.6 million. We recognized gains of approximately \$43.1 million on the disposition of these 11 properties.

#### Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see “Note 2 – Summary of Significant Accounting Policies” for additional information) was approximately \$3.0 million and \$6.2 million for the three and six months ended June 30, 2016, respectively, and approximately \$3.7 million and \$7.6 million for the three and six months ended June 30, 2015, respectively. Our intangible lease assets and liabilities included the following (in thousands):

	June 30, 2016			December 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Other intangible lease assets	\$74,423	\$ (36,909 )	\$37,514	\$79,718	\$ (35,993 )	\$43,725
Above market rent	\$3,946	\$ (1,886 )	\$2,060	\$4,702	\$ (2,280 )	\$2,422
Below market rent	\$(30,459)	\$ 10,229	\$(20,230)	\$(31,565)	\$ 9,495	\$(22,070)

### Note 4 – Investments in and Advances to Unconsolidated Joint Ventures

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



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

	As of June 30, 2016		Investments in and Advances to as of	
	Ownership Percentage	Number of Buildings	June 30, 2016	December 31, 2015
Unconsolidated Joint Ventures				
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC	20.0 %	13	\$37,854	\$ 38,153
TRT-DCT Venture III	10.0 %	4	1,977	1,972
Total Institutional Joint Ventures		17	39,831	40,125
Other:				
Stirling Capital Investments (SCLA) <sup>(1)</sup>	50.0 %	6	48,344	42,510
Total		23	\$88,175	\$ 82,635

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

#### Guarantees

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

#### Note 5 – Financial Instruments and Hedging Activities

##### Fair Value of Financial Instruments

As of June 30, 2016 and December 31, 2015, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

	As of June 30, 2016		As of December 31, 2015	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings <sup>(1)</sup> :				
Senior unsecured revolving credit facility	\$133,000	\$133,000	\$70,000	\$70,000
Fixed rate debt <sup>(2)</sup>	\$1,214,523	\$1,292,937	\$1,268,596	\$1,310,388
Variable rate debt	\$225,000	\$222,954	\$225,000	\$222,649
Interest rate contracts:				
Interest rate swap asset (liability) <sup>(3)</sup>	\$(9,455)	\$(9,455)	\$219	\$219

The fair values of our borrowings were estimated using a discounted cash flow methodology. Credit spreads and

(1) market interest rates used to determine the fair value of these instruments are based on unobservable Level 3 inputs which management has determined to be its best estimate of current market values.

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

(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 asset or liability is included in "Other assets, net" or "Other liabilities," respectively, in our Consolidated Balance Sheets.

The following table presents a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The table also displays gains and losses due to changes in fair value, including both realized and unrealized, recognized in the Consolidated Statements of Operations for Level 3 assets and liabilities. When assets and liabilities are transferred between levels, we recognize the transfer at the beginning of the period. There were no transfers between levels during the six months ended June 30, 2016 and 2015.

	During the Six Months Ended June 30,	
	2016	2015
Level 3 Assets (Liabilities):		
Interest Rate Swaps:		
Beginning balance at January 1	\$219	\$(167)
Net unrealized loss included in accumulated other comprehensive loss	(9,575 )	(37 )
Realized gain (loss) recognized in interest expense	(99 )	74
Ending balance at June 30	\$(9,455)	\$(130)

#### Hedging Activities

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

Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

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

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rates swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of June 30, 2016 and December 31, 2015, we had borrowings payable subject to these pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately \$6.7 million and \$6.8 million, respectively.





During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates on our \$200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. The interest rate swap effectively fixes the interest rate on the related debt instrument at 3.31%, however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. In the event that US LIBOR is negative, the Company will make payments to the hedge counterparty equal to the spread between US LIBOR and zero. During the six months ended June 30, 2016, we recorded approximately \$1.4 million of hedge ineffectiveness in earnings attributable to a zero percent floor mismatch in the hedging relationships (i.e., there is no floor on the variable interest rate of the swap whereas the current variable-rate debt from which the hedged forecasted transactions are expected to flow is subject to a zero percent floor on the USD-LIBOR component of the interest rate). As of June 30, 2016 and December 31, 2015, we had borrowings payable subject to this pay-fixed, receive-floating interest rate swap with aggregate principal balances of approximately \$200.0 million. The following table presents the effect of our derivative financial instruments on our accompanying Consolidated Financial Statements (in thousands):

	For the Three Months Ended June 30, 2016		For the Six Months Ended June 30, 2015	
Derivatives in Cash Flow Hedging Relationships				
Interest Rate Swaps:				
Amount of gain (loss) recognized in OCI for effective portion of derivatives	\$(3,437)	\$58	\$(9,866)	\$(455)
Amount of loss reclassified from accumulated OCI for effective portion of derivatives into interest expense and equity in earnings of unconsolidated joint ventures, net	\$(1,670)	\$(1,158)	\$(3,412)	\$(2,311)
Amount of loss recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)	\$(357)	\$—	\$(1,420)	\$—

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 \$6.7 million will be reclassified from “Accumulated other comprehensive loss” to “Interest expense” resulting in an increase in interest expense.

#### Note 6 – Outstanding Indebtedness

As of June 30, 2016, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.4 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2015, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.7 million representing our proportionate share of debt associated with unconsolidated joint ventures.

As of June 30, 2016, the gross book value of our consolidated properties was approximately \$4.2 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. As of December 31, 2015, the gross book value of our consolidated properties was approximately \$4.1 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. Our debt has various covenants with which we were in compliance as of June 30, 2016 and December 31, 2015.

Line of Credit

As of June 30, 2016, we had \$133.0 million outstanding and \$263.5 million available under our \$400.0 million senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million. As of December 31, 2015, we had \$70.0 million outstanding and \$326.5 million available under our \$400.0 million senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million.

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#### Guarantee of Debt

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

#### Note 7 – Noncontrolling Interests

##### DCT

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests of DCT primarily represent limited partnership interests in the Operating Partnership and equity interests held by third party partners in consolidated real estate investments, including related parties as discussed in "Note 9 – Related Party Transactions."

##### Operating Partnership

Equity interests in the Operating Partnership held by third-parties and LTIP Units, as defined in "Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership," are classified as permanent equity of the Operating Partnership and as noncontrolling interests of DCT in the Consolidated Balance Sheets.

#### Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership

##### DCT

##### Common Stock

As of June 30, 2016, approximately 89.9 million shares of common stock were issued and outstanding.

On September 10, 2015, we registered a continuous equity offering program to replace our continuous equity offering program previously registered on May 29, 2013. Pursuant to this offering, we may sell up to five million shares of common stock from time-to-time through September 10, 2018 in "at-the-market" offerings or certain other transactions. During the six months ended June 30, 2016, we issued approximately 1.2 million shares through the continuous equity offering program, at an average price of \$39.93 per share for proceeds of approximately \$48.5 million, net of offering expenses. We used the proceeds for general corporate purposes, including funding developments and redevelopments and repaying debt. As of June 30, 2016, approximately 3.8 million shares remain available to be issued under the current offering. We did not issue any shares under the current or previously registered offering programs during 2015.

During the six months ended June 30, 2016 and 2015, we issued approximately 53,000 and 87,000 shares of common stock in each corresponding period related to vested shares of restricted stock, phantom shares and stock option exercises.

##### Operating Partnership

##### OP Units

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

As of June 30, 2016 and December 31, 2015, DCT owned approximately 95.8% and 95.6%, respectively, of the outstanding equity interests in the Operating Partnership. The remaining common partnership interests in the Operating Partnership were owned by executives of the Company and non-affiliated limited partners.

DCT holds its interests through both general and limited partner units. The Partnership Agreement stipulates that the general partner shall at all times own a minimum of 1.0% of all outstanding OP Units. As a result, each reporting period certain of DCT's limited partner units are converted to general partner units to satisfy this requirement as illustrated in the Consolidated Statement of Changes in Capital.

Limited partners have the right to require the Company to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Partnership Agreement), provided that such OP Units have been outstanding for at least one year. The Company may, in its sole discretion, purchase the OP Units by paying



to the limited partner either the Cash Amount or the REIT Shares Amount (generally one share of DCT's common stock for each OP Unit), as defined in the Partnership Agreement.

During the six months ended June 30, 2016 and 2015, approximately 0.3 million and 0.1 million OP Units were redeemed for approximately \$0.6 million and \$0.9 million in cash and approximately 0.3 million and 0.1 million shares of DCT common stock, respectively. The OP Unit redemptions exclude LTIP Unit redemptions, see "LTIP Units" below for a summary of LTIP Unit redemptions.

As of June 30, 2016 and December 31, 2015, approximately 4.0 million OP Units were issued, outstanding and held by entities other than DCT in each corresponding period, including approximately 0.7 million and 0.6 million vested LTIP Units issued under our Long-Term Incentive Plan, respectively.

As of June 30, 2016 and December 31, 2015, the aggregate redemption value of the then-outstanding OP Units held by entities other than DCT was approximately \$190.1 million and \$150.9 million based on the \$48.04 and \$37.37 per share closing price of DCT's common stock on June 30, 2016 and December 31, 2015, respectively.

#### Equity-Based Compensation

On October 10, 2006, the Company established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors, as defined in the plan. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards fully vest. Such expense is included in "General and administrative" expense in our Consolidated Statements of Operations.

#### Restricted Stock

Holders of restricted stock have voting rights and rights to receive dividends. Restricted stock may not be sold, assigned, transferred, pledged or otherwise disposed of and is subject to a risk of forfeiture prior to the expiration of the applicable vesting period. Restricted stock is recorded at fair value on the date of grant and amortized to compensation expense on a straight-line basis over the service period during which term the stock fully vests. Restricted stock generally vests ratably over a period of four or five years, depending on the grant. During the six months ended June 30, 2016, we granted approximately 0.1 million shares of restricted stock to certain officers and employees at the weighted average fair market value of \$36.20 per share.

#### LTIP Units

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

During the six months ended June 30, 2016, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of approximately \$6.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23% and risk-free interest rate of 1.28%. During the six months ended June 30, 2016, there were approximately 69,000 vested LTIP Units converted into approximately 69,000 common shares and approximately 13,000 LTIP Units were redeemed for approximately \$0.5 million in cash. As of June 30, 2016, approximately 1.2 million LTIP Units were outstanding of which approximately 0.7 million were vested.

During the six months ended June 30, 2015, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of approximately \$7.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 26% and a weighted average risk-free interest rate of 1.28%. During the six months ended June 30, 2015, approximately 5,000 vested LTIP Units were converted into approximately 5,000 common shares. As of June 30, 2015, approximately 1.1 million LTIP Units were outstanding of which approximately 0.6 million were vested.



## Note 9 – Related Party Transactions

## 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 a former executive have a weighted average ownership in these properties of approximately 43.7%, based on square feet, and the remaining 7.9% is held by a third-party. Each venture partner will earn returns in accordance with their ownership interests. We have controlling rights including management of the operations of the properties and we have consolidated the properties in accordance with GAAP. The total acquisition price of \$46.3 million was determined to be at fair value.

## Note 10 – Earnings per Share/Unit

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

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

## DCT

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net Earnings per Common Share – Basic and Diluted				
Numerator				
Net income attributable to common stockholders	\$21,418	\$18,297	\$57,809	\$47,042
Less: Distributed and undistributed earnings allocated to participating securities	(106 )	(201 )	(334 )	(344 )
Numerator for adjusted net income attributable to common stockholders	\$21,312	\$18,096	\$57,475	\$46,698
Denominator				
Weighted average common shares outstanding – basic	89,748	88,187	89,066	88,139
Effect of dilutive securities:				
Stock options and phantom stock	436	299	424	314
Weighted average common shares outstanding – diluted	90,184	88,486	89,490	88,453



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Net Earnings per Common Share:

Basic	\$0.24	\$0.21	\$0.65	\$0.53
Diluted	\$0.24	\$0.20	\$0.64	\$0.53

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## Operating Partnership

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net Earnings per OP Unit – Basic and Diluted				
Numerator				
Net income attributable to OP Unitholders	\$22,360	\$19,177	\$60,495	\$49,325
Less: Distributed and undistributed earnings allocated to participating securities	(106 )	(201 )	(334 )	(344 )
Numerator for adjusted net income attributable to OP Unitholders	\$22,254	\$18,976	\$60,161	\$48,981
Denominator				
Weighted average OP Units outstanding – basic	93,787	92,443	93,204	92,417
Effect of dilutive securities:				
Stock options and phantom stock	436	299	424	314
Weighted average OP Units outstanding – diluted	94,223	92,742	93,628	92,731
Net Earnings per OP Unit:				
Basic	\$0.24	\$0.21	\$0.65	\$0.53
Diluted	\$0.24	\$0.20	\$0.64	\$0.53

## DCT and the Operating Partnership

## Potentially Dilutive Shares

For the three and six months ended June 30, 2016, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 4.0 million and 4.1 million OP Units, respectively, because their effect would be anti-dilutive. During the same periods ended June 30, 2015, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 4.3 million OP Units because their effect would be anti-dilutive.

## Note 11 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. The following table presents our total assets, net of accumulated depreciation and amortization, by segment (in thousands):

	As of June 30, 2016	As of December 31, 2015
Segments:		
East assets	\$1,067,569	\$1,034,869
Central assets	1,061,076	1,092,315
West assets	1,389,240	1,365,471

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Total segment net assets	3,517,885	3,492,655
Non-segment assets:		
Non-segment cash and cash equivalents	31,466	15,860
Other non-segment assets <sup>(1)</sup>	148,755	123,840
Total assets	\$3,698,106	\$ 3,632,355

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
East	\$29,171	\$25,845	\$58,798	\$53,297
Central	32,266	33,233	63,060	65,916
West	34,160	29,037	67,716	56,964
Rental revenues	95,597	88,115	189,574	176,177
Institutional capital management and other fees	305	423	698	801
Total revenues	\$95,902	\$88,538	\$190,272	\$176,978

The following table presents property net operating income (“NOI”) of our segments and a reconciliation of our property NOI to our reported “Net income attributable to common stockholders” (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
East	\$22,773	\$19,900	\$44,846	\$39,570
Central	22,528	24,045	43,741	46,321
West	26,256	22,241	52,297	43,704
Property NOI <sup>(1)</sup>	71,557	66,186	140,884	129,595
Institutional capital management and other fees	305	423	698	801
Gain on dispositions of real estate interests	12,955	14,932	43,052	41,086
Real estate related depreciation and amortization	(39,901 )	(38,449 )	(79,971 )	(77,445 )
Casualty loss	(162 )	—	(162 )	—
Development profit, net of taxes	—	2,627	—	2,627
General and administrative expense	(7,358 )	(9,856 )	(13,620 )	(17,192 )
Equity in earnings of unconsolidated joint ventures, net	935	1,036	1,819	1,843
Interest expense	(15,635 )	(13,609 )	(32,057 )	(27,513 )
Interest and other income (expense)	48	(11 )	563	(29 )
Income tax expense and other taxes	(172 )	(278 )	(288 )	(471 )
Net income attributable to noncontrolling interests of the Operating Partnership	(212 )	(3,824 )	(423 )	(3,977 )
Net income attributable to OP Unitholders	22,360	19,177	60,495	49,325
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(942 )	(880 )	(2,686 )	(2,283 )
Net income attributable to common stockholders	\$21,418	\$18,297	\$57,809	\$47,042

<sup>(1)</sup> Property net operating income (“property NOI”) is defined as rental revenues, which includes expense reimbursements, less rental expenses and real estate taxes, and excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gain (loss), impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income and income tax expense and other taxes. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties such as amortization,

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

Note 12 – 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.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### FORWARD-LOOKING STATEMENTS

We make statements in this 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," "may," "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;
- the general level of interest rates and the availability of capital;
- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- defaults on or non-renewal of leases by tenants;
- acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections;
- the timing of acquisitions, dispositions and development;
- natural disasters such as fires, floods, tornadoes, hurricanes and earthquakes;
- energy costs;
- the terms of governmental regulations that affect us and interpretations of those regulations, including the costs of compliance with those regulations, changes in real estate and zoning laws and increases in real property tax rates;
- financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal, interest and other commitments;
  - lack of or insufficient amounts of insurance;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;
- the consequences of future terrorist attacks or civil unrest;
- environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us; and
- other risks and uncertainties detailed in the section entitled "Risk Factors."

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

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





## Overview

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. As used herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT” or “DCT Industrial,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term the “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

DCT was formed as a Maryland corporation in April 2002 and has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. DCT owns properties through the Operating Partnership and its subsidiaries. As of June 30, 2016, DCT owned approximately 95.8% of the outstanding equity interests in the Operating Partnership.

As of June 30, 2016, the Company owned interests in approximately 72.0 million square feet of properties leased to approximately 900 customers, including:

- 63.4 million square feet comprising 392 consolidated operating properties that were 95.6% occupied;
- 7.5 million square feet comprising 23 unconsolidated properties that were 97.6% occupied and which we operated on behalf of three institutional capital management partners;
- 0.8 million square feet comprising four consolidated properties under redevelopment; and
- 0.2 million square feet comprising two consolidated properties in development.

In addition, the Company has 10 projects under construction, including one project in our unconsolidated Stirling Capital Investment joint venture, and several projects in pre-development. See “Notes to Consolidated Financial Statements Note 3 – Investment in Properties” for further details related to our development activity.

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO, as defined on page 46, net asset value of our portfolio and total shareholder returns. In our pursuit of these long-term objectives, we seek to:

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

## Outlook

We seek to maximize long-term earnings growth per share and shareholder value primarily through increasing occupancy, rents and operating income at existing properties and developing and acquiring high-quality properties with attractive operating income and value growth prospects. Fundamentals for industrial real estate continue to improve in response to general improvement in the economy as well as trends that particularly favor industrial assets, including the growth of e-commerce. We expect moderate economic growth to continue through 2016, 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. Rental concessions, such as free rent, have declined in recent years and remain at historically low levels. Consistent with recent experience and based on current market conditions, we expect average net effective rental rates on new leases signed during the remainder of 2016 to be higher than the rates on expiring leases.

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



We expect our same store net operating income to be higher in 2016 than it was in 2015, primarily as a result of higher occupancy in 2016 and the impact of increasing rental rates on leases signed in 2016 compared to expiring leases.

In terms of capital investment, we will pursue the selective development of new buildings and the opportunistic acquisition of buildings in markets where we perceive demand and market rental rates will provide attractive financial returns.

We anticipate continuing to selectively dispose of non-strategic assets to fund our investment in new development and acquisitions in an effort to enhance long-term growth in net asset value, earnings and cash flows as well as to enhance the overall quality of our portfolio.

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

#### Inflation

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

#### Summary of Significant Transactions and Activities During 2016

##### Significant transactions for the six months ended June 30, 2016

##### Development Activities

As of June 30, 2016, construction was shell-complete on two buildings totaling 0.2 million square feet in the Miami and Seattle markets. During the six months ended June 30, 2016, we stabilized 11 buildings totaling 3.7 million square feet.

Additionally, during the six months ended June 30, 2016, we acquired 40.6 acres of land in the Baltimore/Washington D.C. and Dallas markets for approximately \$8.3 million that is held for future development.

The table below reflects a summary of development activities as of June 30, 2016, (in thousands, except acres and number of buildings):

Project	Market	Acres	Number of Buildings	Square Feet	Percent-age Owned <sup>(1)</sup>	Cumulative Costs at 6/30/2016	Projected Investment	Completion Date <sup>(2)</sup>	Percent-age Leased <sup>(3)</sup>	
Consolidated Development Activities:										
Development Projects in Lease										
Up										
DCT Fife										
Distribution Center North	Seattle	9	1	152	100 %	\$ 12,086	\$ 12,976	Q1-2016	56 %	
	Sub Total	9	1	152	100 %	\$ 12,086	\$ 12,976		56 %	
Under Construction										
DCT North Satellite Distribution Center	Atlanta	47	1	549	100 %	\$ 10,138	\$ 29,544	Q1-2017	0 %	
DCT Central Avenue	Chicago	54	1	190	100 %	25,710	61,287	Q1-2017	100 %	
DCT North Avenue Distribution Center	Chicago	20	1	350	100 %	25,040	28,344	Q3-2016	100 %	
DCT Stockyards Industrial Center	Chicago	10	1	167	100 %	3,762	15,139	Q4-2016	0 %	
DCT Freeport West	Dallas	7	1	108	100 %	8,055	9,329	Q3-2016	67 %	
DCT Waters Ridge	Dallas	18	1	347	100 %	13,293	18,618	Q3-2016	0 %	
DCT Commerce Center Phase II Building C	Miami	8	1	136	100 %	7,883	15,373	Q4-2016	0 %	
DCT Airport Distribution Center Building D	Orlando	6	1	95	100 %	4,686	7,148	Q3-2016	0 %	
DCT White River Corporate Center Phase II North	Seattle	13	1	251	100 %	10,689	21,772	Q4-2016	0 %	
Building 13B <sup>(5)</sup>	So. California	22	1	445	50 % <sup>(6)</sup>	10,386	19,960	Q3-2016	100 %	
	Sub Total	205	10	2,638	92 %	\$ 119,642	\$ 226,514		40 %	
	Total <sup>(4)</sup>	214	11	2,790	92 %	\$ 131,728	\$ 239,490		41 %	

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

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

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

(4) During November 2015, DCT acquired one building totaling 54,000 square feet in Miami that was shell-complete. The building is classified as a property under development and is not included in the table above.

(5)

During January 2016, DCT commenced construction on Building 13B, a 445,000 square foot building located in our SCLA unconsolidated joint venture. The cumulative costs of \$10.4 million are excluded from “Properties under development” in our Consolidated Balance Sheets as of June 30, 2016.

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

•Dispositions

During the six months ended June 30, 2016, we sold 11 consolidated operating properties totaling 2.0 million square feet from our Chicago, Houston, Louisville and Northern California markets to third-parties for gross proceeds of approximately \$108.6 million.

•Debt Activity

As of June 30, 2016, we had \$133.0 million outstanding and \$263.5 million available under our \$400.0 million senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million.

•Equity Activity

On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013. During the six months ended June 30, 2016, we issued approximately 1.2 million shares through the continuous equity offering program, at an average price of \$39.93 per share for proceeds of approximately \$48.5 million, net of offering expenses. The proceeds from the sale of shares were contributed to the Operating Partnership for an equal number of OP units in the Operating Partnership and were used for general corporate purposes, including funding developments and redevelopments and repaying debt. As of June 30, 2016, approximately 3.8 million shares remain available to be issued under the current offering.

•Leasing Activity

The following table provides a summary of our leasing activity for the six months ended June 30, 2016:

	Number of Leases Signed	Square Feet Signed <sup>(1)</sup>	Net Effective Rent Per Square Foot <sup>(2)</sup>	GAAP Basis Rent Growth <sup>(3)</sup>	Weighted Average Lease Term <sup>(4)</sup>	Turnover Costs Per Square Foot <sup>(5)</sup>
SECOND QUARTER 2016		(in thousands)			(in months)	
New	30	1,316	N/A	22.5 %	68	\$ 4.99
Renewal	41	2,496	N/A	12.1 %	50	1.27
Development and redevelopment	7	591	N/A	N/A	68	N/A
Total/Weighted Average	78	4,403	\$ 5.25	15.3 %	58	\$ 2.56
Weighted Average Retention <sup>(6)</sup>	75.0 %					

	Number of Leases Signed	Square Feet Signed <sup>(1)</sup>	Net Effective Rent Per Square Foot <sup>(2)</sup>	GAAP Basis Rent Growth <sup>(3)</sup>	Weighted Average Lease Term <sup>(4)</sup>	Turnover Costs Per Square Foot <sup>(5)</sup>
YEAR TO DATE 2016		(in thousands)			(in months)	
New	55	3,482	N/A	14.5 %	70	\$ 4.80
Renewal	74	4,380	N/A	21.7 %	57	1.77
Development and redevelopment	12	865	N/A	N/A	78	N/A
Total/Weighted Average	141	8,727	\$ 5.22	18.8 %	65	\$ 3.11
Weighted Average Retention <sup>(6)</sup>	68.9 %					

(1) Excludes short-term leases that do not contain standard market provisions.

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

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

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

(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 six months ended June 30, 2016, we signed a total of 141 leases comprising 8.7 million square feet of which 57 leases totaling 4.7 million square feet included concessions of \$7.3 million primarily related to free rent periods.

Customer Diversification

As of June 30, 2016, there were no customers that occupied more than 2.8% of our consolidated properties based on annualized base rent. The following table presents our 10 largest customers, based on annualized base rent as of June 30, 2016, who occupy a combined 9.8 million square feet or 15.2% of our consolidated properties.

Customer	Percentage
----------	------------

	of	
	Annualized	
	Base Rent	
Amazon.com, Inc.	2.8	%
Distributions Alternatives, Inc.	2.1	%
Ozburn-Hessey Logistics, LLC	1.6	%
The J. M. Smucker Company	1.5	%
Schenker, Inc.	1.2	%
The Clorox Company	1.1	%
United Parcel Service, Inc.	1.0	%
The Glidden Company	1.0	%
YRC, LLC	1.0	%
Kellogg Company	0.9	%
Total	14.2	%

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

We frequently monitor the financial condition of our customers. We communicate often with those customers whom have been late on payments or filed bankruptcy. We are not currently aware of any significant financial difficulties of any tenants that would cause a material reduction in our revenues, and no customer represents more than 2.8% of our annual base rent.

#### Results of Operations

Summary of the three and six months ended June 30, 2016 compared to the same period ended June 30, 2015

We are a leading industrial real estate company specializing in the acquisition, development, leasing and management of bulk distribution and light industrial properties located in high-volume distribution markets in the United States. As of June 30, 2016, the Company owned interests in or had under development approximately 72.0 million square feet of properties leased to approximately 900 customers, including 7.5 million square feet managed on behalf of three institutional capital management joint venture partners. Also as of June 30, 2016, we consolidated 392 operating properties, two development properties and four redevelopment properties. As of June 30, 2015, we consolidated 398 operating properties, 11 development properties and four redevelopment properties.

Comparison of the three months ended June 30, 2016 compared to the same period ended June 30, 2015

The following table presents the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income, and other expenses for the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. Developed properties are generally included in same store properties once they are initially 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. For the three months ended June 30, 2016, we had 363 properties classified as same store comprising 55.8 million square feet and 35 classified as non-same store consisting of properties that did not meet our same store definition, which includes 29 operating properties and six development and redevelopment properties. A discussion of these changes follows in the table below (in thousands):



	For the Three Months Ended June 30,				
	2016	2015	\$ Change	Percent Change	
<b>Rental Revenues</b>					
Same store	\$83,667	\$81,507	\$2,160	2.7	%
Non-same store operating properties	11,535	6,210	5,325	85.7	%
Development and redevelopment	395	398	(3 )	(0.8)	)%
Total rental revenues	95,597	88,115	7,482	8.5	%
<b>Rental Expenses and Real Estate Taxes</b>					
Same store	21,472	20,208	1,264	6.3	%
Non-same store operating properties	2,439	1,593	846	53.1	%
Development and redevelopment	129	128	1	0.8	%
Total rental expenses and real estate taxes	24,040	21,929	2,111	9.6	%
<b>Property Net Operating Income<sup>(1)</sup></b>					
Same store	62,195	61,299	896	1.5	%
Non-same store operating properties	9,096	4,617	4,479	97.0	%
Development and redevelopment	266	270	(4 )	(1.5)	)%
Total property net operating income	71,557	66,186	5,371	8.1	%
<b>Other Revenue and Other Income</b>					
Institutional capital management and other fees	305	423	(118 )	(27.9)	)%
Casualty loss	(162 )	—	(162 )	100.0	%
Development profit, net of taxes	—	2,627	(2,627 )	(100.0)	)%
Equity in earnings of unconsolidated joint ventures, net	935	1,036	(101 )	(9.7)	)%
Gain on dispositions of real estate interests	12,955	14,932	(1,977 )	(13.2)	)%
Interest and other income (expense)	48	(11 )	59	536.4	%
Total other revenue and other income	14,081	19,007	(4,926 )	(25.9)	)%
<b>Other Expenses</b>					
Real estate related depreciation and amortization	39,901	38,449	1,452	3.8	%
Interest expense	15,635	13,609	2,026	14.9	%
General and administrative	7,358	9,856	(2,498 )	(25.3)	)%
Income tax expense and other taxes	172	278	(106 )	(38.1)	)%
Total other expenses	63,066	62,192	874	1.4	%
Net income attributable to noncontrolling interests of the Operating Partnership	(212 )	(3,824 )	3,612	94.5	%
Net income attributable to OP Unitholders	22,360	19,177	3,183	16.6	%
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(942 )	(880 )	(62 )	(7.0)	)%
Net income attributable to common stockholders	\$21,418	\$18,297	\$3,121	17.1	%

(1) Property net operating income (“NOI”) is defined as rental revenues, which includes expense reimbursements, less rental expenses and real estate taxes, and excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gain (loss), impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income and income tax expense and other taxes. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties such as amortization, depreciation, impairment, interest expense, interest and other income, income tax expense and other taxes and general and administrative expenses. However, property NOI should not be viewed as an alternative measure of

our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance. For a reconciliation of our NOI to our reported “Net income attributable to common stockholders” see “Notes to Consolidated Financial Statements, Note 11 – Segment Information.”

### Rental Revenues

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, other rental income and early lease termination fees, increased by \$7.5 million for the three months ended June 30, 2016 compared to the same period in 2015, primarily due to the following:

- \$5.3 million increase in total revenue in our non-same store portfolio, of which \$10.1 million is attributed to six operating property acquisitions and 23 development and redevelopment properties placed into operation since April 1, 2015, offset in part by a \$4.8 million decrease attributed to 35 consolidated property dispositions since April 1, 2015.

\$2.2 million increase in total revenue in our same store portfolio primarily due to the following:

- \$1.8 million increase in base rent and \$0.8 million increase in operating expense recoveries primarily resulting from increased rental rates; which was partially offset by

- \$0.4 million decrease in miscellaneous income from tenants primarily due to higher move-out repairs in 2015 compared to the same period in 2016.

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

	For the Three Months Ended June 30,		
	2016	2015	\$ Change
Base rent	\$65,685	\$63,612	\$2,073
Straight-line rent	5,694	1,799	3,895
Amortization of above and below market rent intangibles	769	760	9
Tenant recovery income	22,269	20,465	1,804
Other	608	952	(344 )
Revenues related to early lease terminations	572	527	45
Total rental revenues	\$95,597	\$88,115	\$7,482

### Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased by \$2.1 million for the three months ended June 30, 2016 compared to the same period in 2015, primarily due to the following:

- \$1.3 million increase in rental expenses and real estate taxes period over period in our same store portfolio primarily due to an increase in property taxes in our Houston market and other rental expenses; and

- \$0.8 million increase in rental expenses and real estate taxes related to our non-same store properties primarily due to an increase in property taxes from developments and redevelopments placed into operation since April 1, 2015, and other rental expenses.

### Other Revenue and Other Income

Total other revenue and other income decreased \$4.9 million for the three months ended June 30, 2016 as compared to the same period in 2015, primarily due to the following:

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

- \$2.0 million decrease in gain on dispositions of real estate interests primarily related to gains of \$13.0 million recognized on the disposition of seven properties in the Chicago and Northern California markets during 2016, compared to gains of \$14.9 million recognized on the disposition of seven properties in the Atlanta market during 2015;

- \$0.2 million increase in casualty losses primarily related to the write-off of assets from three casualty events in our Northern California and Phoenix markets; and

\$0.1 million decrease in equity in earnings of unconsolidated joint ventures, net primarily related to decreased interest expense resulting from TRT-DCT Venture III's repayment of an \$8.1 million mortgage note in October 2015.

Other Expenses

Other expenses increased \$0.9 million for the three months ended June 30, 2016 as compared to the same period in 2015, primarily due to the following:

\$2.0 million increase in interest expense due to the following:

\$1.5 million decrease in capitalized interest primarily related to the cessation of capitalization on developments placed into operation and a lower weighted average effective interest rate during 2016 compared to the same period in 2015;

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

\$0.1 million increase due to increased average outstanding indebtedness of approximately \$98.7 million during 2016 compared to the same period in 2015, partially offset by lower weighted average effective interest rate during 2016 compared to the same period in 2015.

\$1.5 million increase in depreciation and amortization expense resulting from a \$4.7 million increase related to real estate acquisitions, developments and redevelopments placed in operation and capital additions; partially offset by

\$1.8 million related to real estate dispositions and \$1.4 million related to same store tenant improvements and intangible lease assets that were fully amortized subsequent to June 30, 2015; which was partially offset by

- \$2.5 million decrease in general and administrative expense due to the following:

\$3.4 million decrease resulting from an expense in 2015 related to criminal fraud and the associated legal expenses incurred in relation to the investigation of the incident; partially offset by

\$0.7 million increase in personnel costs; and

\$0.1 million increase due to lower capitalized overhead during 2016 as a result of fewer development activities compared to the same period in 2015.

Comparison of the six months ended June 30, 2016 compared to the same period ended June 30, 2015

The following table presents the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income, and other expenses for the six months ended June 30, 2016 compared to the six months ended June 30, 2015. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. Developed properties are generally included in same store properties once they are initially 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. For the six months ended June 30, 2016 we had 349 properties classified as same store comprising 53.5 million square feet and 49 classified as non-same store consisting of properties that did not meet our same store definition, which includes 43 operating properties and six development and redevelopment properties. A discussion of these changes follows in the table below (in thousands):

	For the Six Months Ended June 30,				
	2016	2015	\$ Change	Percent Change	
<b>Rental Revenues</b>					
Same store	\$ 159,196	\$ 154,907	\$ 4,289	2.8	%
Non-same store operating properties	29,559	20,362	9,197	45.2	%
Development and redevelopment	819	908	(89 )	(9.8)	)%
Total rental revenues	189,574	176,177	13,397	7.6	%
<b>Rental Expenses and Real Estate Taxes</b>					
Same store	41,330	40,575	755	1.9	%
Non-same store operating properties	7,089	5,892	1,197	20.3	%
Development and redevelopment	271	115	156	135.7	%
Total rental expenses and real estate taxes	48,690	46,582	2,108	4.5	%
<b>Property Net Operating Income<sup>(1)</sup></b>					
Same store	117,866	114,332	3,534	3.1	%
Non-same store operating properties	22,470	14,470	8,000	55.3	%
Development and redevelopment	548	793	(245 )	(30.9)	)%
Total property net operating income	140,884	129,595	11,289	8.7	%
<b>Other Revenue and Other Income</b>					
Institutional capital management and other fees	698	801	(103 )	(12.9)	)%
Casualty loss	(162 )	—	(162 )	100.0	%
Development profit, net of taxes	—	2,627	(2,627 )	(100.0)	)%
Equity in earnings of unconsolidated joint ventures, net	1,819	1,843	(24 )	(1.3)	)%
Gain on dispositions of real estate interests	43,052	41,086	1,966	4.8	%
Interest and other income (expense)	563	(29 )	592	2,041.4	%
Total other revenue and other income	45,970	46,328	(358 )	(0.8)	)%
<b>Other Expenses</b>					
Real estate related depreciation and amortization	79,971	77,445	2,526	3.3	%
Interest expense	32,057	27,513	4,544	16.5	%
General and administrative	13,620	17,192	(3,572 )	(20.8)	)%
Income tax expense and other taxes	288	471	(183 )	(38.9)	)%
Total other expenses	125,936	122,621	3,315	2.7	%
Net income attributable to noncontrolling interests of the Operating Partnership	(423 )	(3,977 )	3,554	89.4	%
Net income attributable to OP Unitholders	60,495	49,325	11,170	22.6	%
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	(2,686 )	(2,283 )	(403 )	(17.7)	)%

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Net income attributable to common stockholders	\$57,809	\$47,042	\$10,767	22.9	%
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(1) See definitions of property net operating income on page 33.

### Rental Revenues

Rental revenues, which are comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, other rental income and early lease termination fees, increased by \$13.4 million for the six months ended June 30, 2016 compared to the same period in 2015, primarily due to the following:

\$9.1 million increase in total revenue in our non-same store portfolio, of which \$20.1 million is attributed to 14 operating property acquisitions, 29 development and redevelopment properties placed into operation and one operating property placed into redevelopment since January 1, 2015, offset in part by an \$11.0 million decrease attributed to 41 consolidated property dispositions since January 1, 2015.

\$4.3 million increase in total revenue in our same store portfolio primarily due to the following:

\$3.0 million increase in base rent primarily resulting from increased rental rates and a 40 basis point increase in average occupancy period over period;

\$0.7 million increase in miscellaneous income from tenants primarily due to move-out repairs; and

\$0.6 million increase in operating expense recoveries related to higher average occupancy.

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

	For the Six Months Ended		
	June 30,		
	2016	2015	\$ Change
Base rent	\$129,586	\$126,439	\$3,147
Straight-line rent	11,158	3,386	7,772
Amortization of above and below market rent intangibles	1,480	1,542	(62 )
Tenant recovery income	44,486	42,211	2,275
Other	2,212	1,387	825
Revenues related to early lease terminations	652	1,212	(560 )
Total rental revenues	\$189,574	\$176,177	\$13,397

### Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased \$2.1 million for the six months ended June 30, 2016 compared to the same period in 2015, primarily due to the following:

\$0.8 million increase in rental expenses and real estate taxes period over period in our same store portfolio primarily due to an increase in property taxes in our Chicago and Houston markets; and

\$1.4 million increase in rental expenses and real estate taxes related to our non-same store properties primarily due to a \$1.6 million increase in property taxes in our Atlanta, Houston, Seattle and Southern California markets, offset in part by a \$0.2 million decrease in snow removal costs and a decrease in the number of non-same store properties as a result of properties qualifying and transitioning to the same store portfolio.

### Other Revenue and Other Income

Total other revenue and other income decreased \$0.4 million for the six months ended June 30, 2016 as compared to the same period in 2015, primarily due to the following:

\$2.6 million decrease in development profit, net of taxes related to the completion and sales of 8th & Vineyard C, 8th & Vineyard D and 8th & Vineyard E to third-parties during 2015 with no corresponding activity during 2016; and \$0.2 million increase in casualty losses primarily related to the write-off of assets from three casualty events in our Northern California and Phoenix markets during 2016 with no corresponding activity during 2015; which was partially offset by

\$2.0 million increase in gain on dispositions of real estate interests primarily related to gains of \$43.1 million recognized on the disposition of 11 properties in the Chicago, Houston, Louisville and Northern California markets during 2016, compared to gains of \$41.1 million recognized on the disposition of 13 properties in the Atlanta and Memphis markets during 2015; and

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

#### Other Expenses

Other expenses increased \$3.3 million for the six months ended June 30, 2016 as compared to the same period in 2015, primarily due to the following:

\$4.5 million increase in interest expense due to the following:

\$2.2 million decrease in capitalized interest primarily related to the cessation of capitalization on developments placed into operation and a lower weighted average effective interest rate during 2016 compared to the same period in 2015;

\$1.4 million of hedge ineffectiveness recognized during 2016 related to our \$200.0 million 2015 term note hedge; and

\$0.9 million increase due to increased average outstanding indebtedness of approximately \$123.9 million during 2016, partially offset by lower weighted average effective interest rate during 2016 compared to the same period in 2015.

\$2.5 million increase in depreciation and amortization expense resulting from a \$8.6 million increase related to real estate acquisitions, developments placed in operation and capital additions; partially offset by \$4.4 million related to real estate dispositions and \$1.7 million related to same store tenant improvements and intangible assets that were fully amortized subsequent to June 30, 2015; which was partially offset by

- \$3.6 million decrease in general and administrative expenses primarily related to the following:

- \$3.4 million decrease resulting from an expense in 2015 related to criminal fraud and the associated legal expenses incurred in relation to the investigation of the incident; and

- \$1.2 million decrease in acquisition costs due to lower acquisition activity; which was partially offset by

- \$0.8 million increase personnel costs; and

- \$0.2 million decrease in capitalized overhead due to fewer development activities in the first half of 2016 relative to the same period in 2015.

Segment Summary for the three and six months ended June 30, 2016 compared to the same periods ended June 30, 2015

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. These regions are comprised of the markets by which management and their operating teams conduct and monitor business (see further detail on our Segments in "Notes to the Consolidated Financial Statements, Note 11 – Segment Information"). Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance.

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



	As of June 30,				For the Three Months Ended June 30,			For the Six Months Ended June 30,	
	Number of buildings	Square feet	Occupancy at period end	Segment assets <sup>(1)</sup>	Rental revenues <sup>(2)</sup>	Property net operating income <sup>(3)</sup>	Rental revenues <sup>(2)</sup>	Property net operating income <sup>(3)</sup>	
<b>EAST:</b>									
2016	115	21,378	95.9 %	\$1,067,569	\$29,171	\$22,773	\$58,798	\$44,846	
2015	115	19,301	93.7 %	\$986,185	\$25,845	\$19,900	\$53,297	\$39,570	
CHANGE:	—	2,077	2.2 %	\$81,384	\$3,326	\$2,873	\$5,501	\$5,276	
<b>CENTRAL:</b>									
2016	145	22,682	91.7 %	\$1,061,076	\$32,266	\$22,528	\$63,060	\$43,741	
2015	164	26,269	90.0 %	\$1,097,080	\$33,233	\$24,045	\$65,916	\$46,321	
CHANGE:	(19)	(3,587)	1.7 %	\$(36,004)	\$(967)	\$(1,517)	\$(2,856)	\$(2,580)	
<b>WEST:</b>									
2016	138	20,404	96.4 %	\$1,389,240	\$34,160	\$26,256	\$67,716	\$52,297	
2015	134	18,936	86.8 %	\$1,320,675	\$29,037	\$22,241	\$56,964	\$43,704	
CHANGE:	4	1,468	9.6 %	\$68,565	\$5,123	\$4,015	\$10,752	\$8,593	

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

(2) Segment rental revenues include revenue from operating properties and development properties.

For the definition of property net operating income, or property NOI, and a reconciliation of our property NOI to

(3) our reported “Net income attributable to common stockholders” see “Notes to Consolidated Financial Statements, Note 11 – Segment Information.”

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

	As of June 30, 2016	As of December 31, 2015	\$ Change
<b>Segments:</b>			
East assets	\$1,067,569	\$1,034,869	\$32,700
Central assets	1,061,076	1,092,315	(31,239)
West assets	1,389,240	1,365,471	23,769
Total segment net assets	3,517,885	3,492,655	25,230
<b>Non-segment assets:</b>			
Non-segment cash and cash equivalents	31,466	15,860	15,606
Other non-segment assets <sup>(1)</sup>	148,755	123,840	24,915
Total assets	\$3,698,106	\$3,632,355	\$65,751

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

**East Segment**

East Segment assets increased by approximately \$32.7 million in 2016 due to three development properties placed into operation since December 31, 2015.

East Segment property NOI increased approximately \$2.9 million for the three months ended June 30, 2016 as compared to the same period in 2015, primarily as a result of:

\$3.3 million increase in NOI, of which \$3.9 million increase in rental revenue is attributed to the timing of property acquisitions and completion of developments, and \$0.5 million increase attributed to higher rental rates and operating expense recoveries due to increased occupancy in our same store portfolio, offset in part by \$1.1 million decrease in rental revenues due to property dispositions; which was partially offset by

\$0.4 million decrease in NOI due to increases in operating expense primarily related to increased property tax expense driven by the cessation of capitalization on developments placed into operation and property acquisitions.

East Segment property NOI increased approximately \$5.3 million for the six months ended June 30, 2016 as compared to the same period in 2015, primarily as a result of:

\$5.5 million increase in NOI, of which \$6.8 million increase in rental revenue is attributed to the timing of property acquisitions and completion of developments, and \$3.0 million increase attributed to higher rental rates and operating expense recoveries due to increased occupancy in our same store portfolio, which was partially offset by \$4.3 million decrease in rental revenues due to property dispositions; which was partially offset by

\$0.2 million decrease in NOI due to increases in operating expense primarily related to increased property taxes and other rental expenses driven by developments placed into operation and property acquisitions.

#### Central Segment

Central Segment assets decreased by approximately \$31.2 million in 2016 due to the disposition of 10 properties; partially offset by four development and redevelopment properties placed into operation since December 31, 2015.

Central Segment property NOI decreased approximately \$1.5 million, for the three months ended June 30, 2016 as compared to the same period in 2015 primarily as a result of:

\$1.0 million decrease in NOI, of which \$3.7 million decrease in rental revenue is attributed to property dispositions, partially offset by a \$2.5 million increase attributed to the timing of property acquisitions and completion of developments, and a \$0.2 million increase attributed increased revenue from early lease termination fees, tenant reimbursements and operating expense recoveries in our same store portfolio; and

\$0.5 million decrease in NOI due to increases in operating expense primarily related to increased property taxes driven by developments and redevelopments placed into operation and property acquisitions, and non-recoverable expenses during 2016.

Central Segment property NOI decreased approximately \$2.6 million, for the six months ended June 30, 2016 as compared to the same period in 2015 primarily as a result of:

\$2.9 million decrease in NOI, of which \$6.7 million decrease in rental revenue is attributed to property dispositions and \$1.6 million attributed to a 406 basis point decrease in average occupancy period over period primarily due to three early lease terminations at properties in our same store portfolio, partially offset by a \$5.4 million increase attributed to the timing of property acquisitions and completion of developments; which was partially offset by

\$0.3 million increase in NOI due to decreases in operating expense primarily related to snow removal costs incurred from severe winter storms during 2015 and an increase in real estate tax refunds received during 2016; partially offset by increased property taxes and bad debt expense.

#### West Segment

West Segment assets increased by approximately \$23.8 million in 2016 due to three development properties placed into operation and one development property that was in lease-up; partially offset by the disposition of one property since December 31, 2015.

West Segment property NOI increased approximately \$4.0 million for the three months ended June 30, 2016 as compared to the same period in 2015, primarily as a result of:

\$5.1 million increase in NOI, of which \$3.7 million increase in rental revenue is attributed to the timing of property acquisitions and completion of developments, and \$1.4 million is attributed to increased rental rates and occupancy in our same store portfolio; which was partially offset by

\$1.1 million decrease in NOI due to increases in operating expense primarily due to increased property tax expense driven by the cessation of capitalization on developments placed into operation and property acquisitions.

West Segment property NOI increased approximately \$8.6 million for the six months ended June 30, 2016 as compared to the same period in 2015, primarily as a result of:

\$10.8 million increase in rental revenues, of which \$7.9 million is attributed to the timing of property acquisitions and completion of developments, and \$2.9 million is attributed to increased rental rates and occupancy at properties in our same store portfolio; which was partially offset by

\$2.2 million decrease in NOI due to increases in operating expense primarily due to increased property tax driven by the cessation of capitalization on developments placed into operation and property acquisitions.

## Liquidity and Capital Resources

### Overview

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

Cash flows from operations;

Proceeds from dispositions;

Borrowings under our senior unsecured revolving credit facility;

Other forms of secured or unsecured financings;

Offerings of common stock or other securities;

Current cash balances; and

Distributions from institutional capital management and other joint ventures.

Our sources of capital will be used to meet our liquidity requirements and capital commitments, including operating activities, debt service obligations, equity holder 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.

### Cash Flows

“Cash and cash equivalents” were \$33.4 million and \$18.4 million as of June 30, 2016 and December 31, 2015, respectively.

Net cash provided by operating activities decreased \$3.0 million to \$97.1 million during the six months ended June 30, 2016 compared to \$100.1 million during the same period in 2015. This change was primarily due to an increase in property net operating income attributable to acquired properties, development and redevelopment properties placed into operation and operating performance at existing properties.

Net cash used in investing activities decreased \$24.1 million to \$84.1 million during the six months ended June 30, 2016 compared to \$108.2 million during the same period in 2015 primarily due to the following activities:

\$134.8 million decrease in cash outflows from acquisitions; partially offset by

\$54.5 million increase in cash outflows related to capital expenditures and development activities, as reflected in the table below;

\$30.0 million decrease in cash inflows from dispositions;

\$17.3 million decrease in cash inflows related to an increase in restricted cash due to timing of 1031 proceeds received from dispositions; and

\$7.1 million increase in cash outflows related to investments in unconsolidated joint ventures due to increased contributions to our SCLA unconsolidated joint venture to fund the development of Building 13B during 2016.

We pursue the acquisition of buildings and land and consider selective development of new buildings in markets where we perceive that demand and market rental rates will provide attractive financial returns. The amount of cash used related to acquisitions and development and redevelopment investments will vary from period to period based on a number of factors, including, among others, current and anticipated future market conditions impacting the desirability of investments, leasing results with respect to our existing development and redevelopment projects and our ability to locate attractive opportunities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Summary of Significant Transactions and Activities During 2016 –Development Activities” for further details regarding projected investment of our current development activities as well as cumulative costs incurred as of June 30, 2016. Our total capital expenditures were comprised of the following (in thousands):

	For the Six Months Ended		
	June 30,		
	2016	2015	\$ Change
Development	\$109,086	\$58,944	\$50,142
Redevelopment	8,781	5,569	3,212
Due diligence	2,056	6,931	(4,875 )
Casualty expenditures	964	202	762
Building and land improvements	5,008	5,339	(331 )
Tenant improvements and leasing costs	22,307	18,285	4,022
Total capital expenditures and development activities	148,202	95,270	52,932
Change in accruals and other adjustments	3,909	2,369	1,540
Total cash paid for capital expenditures and development activities	\$152,111	\$97,639	\$54,472

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

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

	For the Six Months		
	Ended June 30,		
	2016	2015	\$ Change
Development activities	\$2,371	\$2,022	\$ 349
Leasing activities	1,725	1,766	(41 )
Operating building activities	1,519	1,532	(13 )
Total capitalized indirect costs	\$5,615	\$5,320	\$ 295

In addition, we capitalize interest costs incurred associated with development and construction activities. During the six months ended June 30, 2016 and 2015 total interest capitalized was \$5.6 million and \$7.8 million, respectively. Net cash provided by financing activities decreased \$9.3 million to \$2.0 million during the six months ended June 30, 2016 compared to \$11.3 million during the same period in 2015 primarily due to the following:

- \$49.0 million decrease in proceeds from our senior unsecured revolving credit facility, as net borrowings of \$112.0 million during 2015 exceeded our \$63.0 million of net borrowings during 2016; and
- \$10.0 million decrease due to the repayment of our \$50.0 million senior unsecured fixed rate note in April 2016 compared to the repayment of our \$40.0 million senior unsecured note in June 2015; which was partially offset by \$48.5 million net increase in cash inflows due to 1.2 million shares issued in 2016 under our continuous equity offering program.

Common Stock

As of June 30, 2016, approximately 89.9 million shares of common stock were issued and outstanding.

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On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013. Pursuant to this offering, we may sell up to five million shares of common stock from time-to-time through September 10, 2018 in “at-the-market” offerings or certain other transactions. During the six months ended June 30, 2016, we issued approximately 1.2 million shares through the continuous equity offering program, at an average price of \$39.93 per share for proceeds of approximately \$48.5 million, net of offering expenses. We used the proceeds for general corporate purposes, including funding developments and redevelopments and repaying debt. As of June 30, 2016, approximately 3.8 million shares remain available to be issued under the current offering.

#### OP Units

Limited partners have the right to require the Company to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Amended and Restated Limited Partnership Agreement of the Operating Partnership (“Partnership Agreement”)), provided that such OP Units have been outstanding for at least one year. DCT may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Shares Amount (generally one share of DCT’s common stock for each OP Unit), as defined in the Partnership Agreement.

During the six months ended June 30, 2016 and 2015, approximately 0.3 million and 0.1 million OP Units were redeemed for approximately \$0.6 million and \$0.9 million in cash and approximately 0.3 million and 0.1 million shares of DCT common stock, respectively. The OP Unit redemptions exclude LTIP Unit redemptions, see “LTIP Units” in “Notes to the Consolidated Financial Statements, Note 8 – Stockholders’ Equity of DCT and Partners’ Capital of the Operating Partnership” for a summary of LTIP Unit redemptions.

As of June 30, 2016 and December 31, 2015, approximately 4.0 million OP Units were issued, outstanding and held by entities other than DCT in each corresponding period, including approximately 0.7 million and 0.6 million vested LTIP Units issued under our Long-Term Incentive Plan, respectively.

As of June 30, 2016 and December 31, 2015, the aggregate redemption value of the then-outstanding OP Units held by entities other than DCT was approximately \$190.1 million and \$150.9 million based on the \$48.04 and \$37.37 per share closing price of DCT’s common stock on June 30, 2016 and December 31, 2015, respectively.

#### Distributions

During the three and six months ended June 30, 2016, our board of directors declared distributions to stockholders and unitholders totaling approximately \$27.4 million and \$54.6 million, respectively. During the same periods in 2015, our board of directors declared distributions to stockholders and unitholders totaling approximately \$26.1 million and \$52.2 million, respectively. Existing cash balances, cash provided from operations, borrowings under our senior unsecured revolving credit facility and dispositions were used to pay distributions during 2016 and 2015.

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. During August 2016, our board of directors declared a quarterly cash dividend of \$0.29 per share and unit, payable on October 19, 2016 to stockholders and OP Unitholders of record as of October 7, 2016.

#### Outstanding Indebtedness

As of June 30, 2016, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.4 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2015, our outstanding indebtedness of approximately \$1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately \$35.7 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures.

As of June 30, 2016, the gross book value of our consolidated properties was approximately \$4.2 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. As of December 31, 2015, the gross book value of our consolidated properties was approximately \$4.1 billion and the gross book value of all properties securing our mortgage debt was approximately \$0.6 billion. Our debt has various covenants with which we were in compliance as of June 30, 2016 and December 31, 2015.





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

#### Line of Credit

As of June 30, 2016, we had \$133.0 million outstanding and \$263.5 million available under our \$400.0 million senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million. As of December 31, 2015, we had \$70.0 million outstanding and \$326.5 million available under our \$400.0 million senior unsecured revolving credit facility, net of one letter of credit totaling \$3.5 million.

The senior unsecured revolving credit facility agreement contains various covenants with which we were in compliance as of June 30, 2016 and December 31, 2015.

#### Debt Maturities

The following table presents the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, discounts and deferred loan costs, as of June 30, 2016 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Bank Unsecured Credit Facilities	Total
2016	\$ 49,000	\$ 3,413	\$ —	\$52,413
2017	51,000	41,078	100,000	(1) 192,078
2018	81,500	6,747	—	88,247
2019	46,000	51,344	133,000	230,344
2020	50,000	71,933	125,000	(1) 246,933
Thereafter	532,500	29,107	200,000	(1) 761,607
Total	\$ 810,000	\$ 203,622	\$ 558,000	\$1,571,622

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

#### Financing Strategy

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

### Contractual Obligations

The following table presents our contractual obligations as of June 30, 2016, specifically our obligations under long-term debt agreements, operating lease agreements and ground lease agreements (in thousands):

Contractual Obligations <sup>(1)</sup>	Payments due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	Thereafter
Scheduled long-term debt maturities, including interest <sup>(2)</sup>	\$ 1,866,302	\$ 298,587	\$ 384,051	\$ 451,098	\$ 732,566
Operating lease commitments	2,513	845	988	659	21
Ground lease commitments <sup>(3)</sup>	11,611	552	1,102	1,102	8,855
Total	\$ 1,880,426	\$ 299,984	\$ 386,141	\$ 452,859	\$ 741,442

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

(1) do not represent material obligations, are typically short-term and cancellable within 90 days and are not included in the table above. Also, excluded from the total are our estimated construction costs to complete development and redevelopment projects of approximately \$120.7 million.

(2) Variable interest rate payments are estimated based on the LIBOR rate at June 30, 2016.

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

### Off-Balance Sheet Arrangements

As of June 30, 2016 and 2015, respectively, 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 are material to investors, other than items discussed herein.

As of June 30, 2016, our proportionate share of the total construction loans of our unconsolidated development joint ventures was \$35.4 million, which is scheduled to mature during 2017. Our proportionate share of the total construction loans, including undrawn amounts, of our unconsolidated development joint ventures includes 50.0% of the construction loans associated with the SCLA joint venture which are non-recourse to the venture partners.

### Indebtedness and Other Off-Balance Sheet Arrangements

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

We may elect to fund additional capital to a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such funding is not required contractually or otherwise. As of June 30, 2016, our proportionate share of non-recourse debt associated with unconsolidated joint ventures is \$35.4 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
2016	\$ —
2017	35,441
2018	—

2019	—
2020	—
Thereafter	—
Total	\$ 35,441

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### Funds From Operations

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

The following table presents the calculation of our FFO reconciled from “Net income attributable to common stockholders” (unaudited, amounts in thousands, except per share and unit data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Reconciliation of net income attributable to common stockholders and unitholders to FFO:				
Net income attributable to common stockholders	\$21,418	\$18,297	\$57,809	\$47,042
Adjustments:				
Real estate related depreciation and amortization	39,901	38,449	79,971	77,445
Equity in earnings of unconsolidated joint ventures, net	(935 )	(1,036 )	(1,819 )	(1,843 )
Equity in FFO of unconsolidated joint ventures	2,451	2,575	4,818	4,983
Gain on dispositions of real estate interests	(12,955 )	(14,932 )	(43,052 )	(41,086 )
Gain on dispositions of non-depreciable real estate	—	—	—	18
Noncontrolling interest in the above adjustments	(1,411 )	(1,336 )	(2,097 )	(2,189 )
FFO attributable to unitholders	2,182	2,028	4,443	4,095
FFO attributable to common stockholders and unitholders – basic and diluted	50,651	44,045	100,073	88,465
Adjustments:				
Acquisition costs	72	170	92	1,484
Hedge ineffectiveness (non-cash)	357	—	1,420	—
FFO, as adjusted, attributable to common stockholders and unitholders – basic and diluted	\$51,080	\$44,215	\$101,585	\$89,949
FFO per common share and unit – basic	\$0.54	\$0.47	\$1.07	\$0.95
FFO per common share and unit – diluted	\$0.53	\$0.47	\$1.06	\$0.95
FFO, as adjusted, per common share and unit – basic	\$0.54	\$0.48	\$1.08	\$0.97
FFO, as adjusted, per common share and unit – diluted	\$0.54	\$0.47	\$1.08	\$0.96
FFO weighted average common shares and units outstanding:				
Common shares for net earnings per share	89,748	88,187	89,066	88,139
Participating securities	592	626	550	599
Units	4,039	4,256	4,138	4,278
FFO weighted average common shares, participating securities and units outstanding – basic	94,379	93,069	93,754	93,016
Dilutive common stock equivalents	436	299	424	314
FFO weighted average common shares, participating securities and units outstanding – diluted	94,815	93,368	94,178	93,330

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the exposure to losses resulting from changes in market prices such as interest rates, foreign currency exchange rates and rental rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and OP unitholders and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates.

**Interest Rate Risk**

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

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rates swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of June 30, 2016 and December 31, 2015, we had borrowings payable subject to these pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately \$6.7 million and \$6.8 million, respectively.

During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates on our \$200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. The interest rate swap effectively fixes the interest rate on the related debt instrument at 3.31%, however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. While LIBOR rates in certain foreign countries have been or are currently negative, LIBOR rates in the US have never been negative nor do we expect them to become negative in the future. In the event that US LIBOR is negative, the Company will make payments to the hedge counterparty equal to the spread between US LIBOR and zero. During the six months ended June 30, 2016, we recorded a non-cash charge of approximately \$1.4 million of hedge ineffectiveness in earnings attributable to a zero percent floor mismatch in the hedging relationships (i.e., there is no floor on the variable interest rate of the swap whereas the current variable-rate debt from which the hedged forecasted transactions are expected to flow is subject to a zero percent floor on the USD-LIBOR component of the interest rate). As of June 30, 2016 and December 31, 2015, we had borrowings payable subject to this pay-fixed, receive-floating interest rate swap with aggregate principal balances of approximately \$200.0 million. See "Notes to a Consolidated Financial Statements, Note 5 – Financial Instruments and Hedging Activities" for additional information.

Our variable rate debt is subject to risk based upon prevailing market interest rates. As of June 30, 2016, we had approximately \$358.0 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 six months ended June 30, 2016 would increase approximately \$0.2 million based on our outstanding floating-rate debt as of June 30, 2016. Additionally, if weighted average interest rates on our fixed rate debt were to have increased by 100 basis points due to refinancing, interest expense would have increased by approximately \$6.2 million during the six months ended June 30, 2016.

As of June 30, 2016, the estimated fair value of our debt was approximately \$1.6 billion based on our estimate of the then-current market interest rates.



#### ITEM 4. CONTROLS AND PROCEDURES

DCT Industrial Trust Inc.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures; as such term is defined under Rule 13a-15(e) under the Exchange Act, as of June 30, 2016, the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2016 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

None.

DCT Industrial Operating Partnership LP

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer of its general partner, the Operating Partnership conducted an evaluation of the effectiveness of its disclosure controls and procedures; as such term is defined under Rule 13a-15(e) under the Exchange Act, as of June 30, 2016, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that the Operating Partnership's disclosure controls and procedures were effective as of June 30, 2016 in providing reasonable assurance that information required to be disclosed by the Operating Partnership in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

None.



PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in Item 1A. to Part I of our Form 10-K, as filed on February 19, 2016, except to the extent factual information disclosed elsewhere in this Form 10-Q relates to such risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- +31.1 Rule 13a-14(a) Certification of Principal Executive Officer of DCT Industrial Trust Inc.
  - +31.2 Rule 13a-14(a) Certification of Principal Financial Officer of DCT Industrial Trust Inc.
  - +31.3 Rule 13a-14(a) Certification of Principal Executive Officer of DCT Industrial Operating Partnership LP
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  - ++32.3 Section 1350 Certification of Principal Executive Officer of DCT Industrial Operating Partnership LP
  - ++32.4 Section 1350 Certification of Principal Financial Officer of DCT Industrial Operating Partnership LP
- 101 The following materials from DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statement of Changes in Equity/Consolidated Statement of Changes in Capital, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.

+ Filed herewith.

++Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DCT INDUSTRIAL TRUST INC.

Date: August 5, 2016 By: /s/ Philip L. Hawkins  
Philip L. Hawkins  
President and Chief Executive Officer

Date: August 5, 2016 By: /s/ Matthew T. Murphy  
Matthew T. Murphy  
Chief Financial Officer and Treasurer

Date: August 5, 2016 By: /s/ Mark E. Skomal  
Mark E. Skomal  
Chief Accounting Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DCT INDUSTRIAL OPERATING PARTNERSHIP LP

By: DCT Industrial Trust Inc., its general partner

Date: August 5, 2016 By: /s/ Philip L. Hawkins  
Philip L. Hawkins  
President and Chief Executive Officer

Date: August 5, 2016 By: /s/ Matthew T. Murphy  
Matthew T. Murphy  
Chief Financial Officer and Treasurer

Date: August 5, 2016 By: /s/ Mark E. Skomal  
Mark E. Skomal  
Chief Accounting Officer

EXHIBIT INDEX

a. Exhibits

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+ Filed herewith.

++Furnished herewith.