DCT Industrial Trust Inc.
Form 10-Q
August 02, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2013

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number 001-33201

DCT INDUSTRIAL TRUST INC.

(Exact name of registrant as specified in its charter)

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

(303) 597-2400

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark 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.

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

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

As of July 25, 2013, 292,994,602 shares of common stock of DCT Industrial Trust Inc., par value $0.01 per share, were outstanding.

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share information)

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Land	$ 834,607	$ 780,235
Buildings and improvements	2,597,353	2,481,206
Intangible lease assets	77,336	78,467
Construction in progress	62,983	45,619
Total investment in properties	3,572,279	3,385,527
Less accumulated depreciation and amortization	(636,767)	(605,888)
Net investment in properties	2,935,512	2,779,639
Investments in and advances to unconsolidated joint ventures	129,358	130,974
Net investment in real estate	3,064,870	2,910,613
Cash and cash equivalents	9,623	12,696
Restricted cash	4,576	10,076
Deferred loan costs, net	8,904	6,838
Straight-line rent and other receivables, net of allowance for doubtful accounts of $1,684 and $1,251, respectively	49,410	51,179
Other assets, net	9,349	12,945
Assets held for sale	8,204	52,852
Total assets	$ 3,154,936	$ 3,057,199
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 53,590	$ 57,501
Distributions payable	21,946	21,129
Tenant prepaids and security deposits	22,028	24,395
Other liabilities	5,471	7,213
Intangible lease liability, net	19,550	20,148
Line of credit	117,000	110,000
Senior unsecured notes	1,075,000	1,025,000
Mortgage notes	317,395	317,314
Liabilities related to assets held for sale	330	940
Total liabilities	1,632,310	1,583,640
Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none outstanding		
Shares-in-trust, $0.01 par value, 100,000,000 shares authorized, none outstanding		
Common stock, $0.01 par value, 500,000,000 shares authorized 292,258,638 and 280,310,488 shares issued and outstanding as of June 30, 2013 and December 31, 2012, respectively	2,923	2,803
Additional paid-in capital	2,317,192	2,232,682
Distributions in excess of earnings	(900,194)	(871,655)
Accumulated other comprehensive loss	(32,041)	(34,766)

Total stockholders equity	1,387,880	1,329,064
Noncontrolling interests	134,746	144,495
Total equity	1,522,626	1,473,559
Total liabilities and equity	$ 3,154,936	$ 3,057,199

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(unaudited, in thousands, except per share information)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
REVENUES:				
Rental revenues	$ 72,931	$ 59,876	$ 143,631	$ 119,775
Institutional capital management and other fees	707	1,151	1,520	2,206
Total revenues	73,638	61,027	145,151	121,981
OPERATING EXPENSES:				
Rental expenses	9,408	7,425	18,087	14,836
Real estate taxes	11,845	8,943	22,668	18,328
Real estate related depreciation and amortization	33,531	28,786	65,484	57,681
General and administrative	7,449	6,513	13,870	12,298
Casualty loss (gain)	58	(57)	(2)	(140)
Total operating expenses	62,291	51,610	120,107	103,003
Operating income	11,347	9,417	25,044	18,978
OTHER INCOME AND EXPENSE:				
Development profits			268	
Equity in earnings (loss) of unconsolidated joint ventures, net	571	430	962	(424)
Interest expense	(15,327)	(17,540)	(32,187)	(34,470)
Interest and other (expense) income	(18)	(38)	144	159
Income tax expense and other taxes	(323)	(287)	(432)	(555)
Loss from continuing operations	(3,750)	(8,018)	(6,201)	(16,312)
Income (loss) from discontinued operations	15,417	(9,523)	19,504	(8,060)
Consolidated net income (loss) of DCT Industrial Trust Inc.	11,667	(17,541)	13,303	(24,372)
Net (income) loss attributable to noncontrolling interests	(858)	1,756	(1,215)	2,583
Net income (loss) attributable to common stockholders	10,809	(15,785)	12,088	(21,789)
Distributed and undistributed earnings allocated to participating securities	(174)	(137)	(346)	(266)
Adjusted net income (loss) attributable to common stockholders	$ 10,635	$ (15,922)	$ 11,742	$ (22,055)
EARNINGS PER COMMON SHARE BASIC AND DILUTED:				
Loss from continuing operations	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.06)
Income (loss) from discontinued operations	0.05	(0.03)	0.06	(0.03)
Net income (loss) attributable to common stockholders	$ 0.04	$ (0.06)	$ 0.04	$ (0.09)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and diluted	290,977	248,107	286,047	247,227
Distributions declared per common share	$ 0.07	$ 0.07	$ 0.14	$ 0.14

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Consolidated net income (loss) of DCT Industrial Trust Inc.	$ 11,667	$ (17,541)	$ 13,303	$ (24,372)
Other comprehensive income (loss):				
Net unrealized gain (loss) on cash flow hedging derivatives	918	(5,778)	924	(4,212)
Realized income related to hedging activities	94	655	186	655
Amortization of cash flow hedging derivatives	1,000	251	2,000	502
Other comprehensive income (loss)	2,012	(4,872)	3,110	(3,055)
Comprehensive income (loss)	13,679	(22,413)	16,413	(27,427)
Comprehensive (income) loss attributable to noncontrolling interests	(1,144)	1,902	(1,600)	2,435
Comprehensive income (loss) attributable to common stockholders	$ 12,535	$ (20,511)	$ 14,813	$ (24,992)

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

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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 Comprehensive Loss	Non-controlling Interests
Balance at December 31, 2012	$ 1,473,559	280,310	$ 2,803	$ 2,232,682	$ (871,655)	$ (34,766)	$ 144,495
Net income	13,303				12,088		1,215
Other comprehensive income	3,110					2,725	385
Issuance of common stock, net of offering costs	74,945	10,383	104	74,841			
Issuance of common stock, stock-based compensation plans	(63)	230	3	(66)			
Amortization of stock-based compensation	2,357			798			1,559
Distributions to common stockholders and noncontrolling interests	(44,556)				(40,627)		(3,929)
Partner contributions from noncontrolling interests	723						723
Purchases and redemptions of noncontrolling interests	(752)	1,336	13	8,937			(9,702)
Balance at June 30, 2013	$ 1,522,626	292,259	$ 2,923	$ 2,317,192	$ (900,194)	$ (32,041)	$ 134,746

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

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited, in thousands)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
OPERATING ACTIVITIES:		
Consolidated net income (loss) of DCT Industrial Trust Inc.	**$ 13,303**	**$ (24,372)**
Adjustments to reconcile consolidated net income (loss) of DCT Industrial Trust Inc. to net cash provided by operating activities:		
Real estate related depreciation and amortization	66,861	63,742
Gain on dispositions of real estate interests	(17,508)	(120)
Distributions of earnings from unconsolidated joint ventures	2,962	1,798
Development profits	(268)	
Equity in (earnings) loss of unconsolidated joint ventures, net	(962)	424
Stock-based compensation	1,875	2,015
Casualty gains	(2)	(212)
Impairment losses		11,422
Straight-line rent	(2,719)	(3,143)
Other	3,057	(85)
Changes in operating assets and liabilities:		
Other receivables and other assets	3,359	4,256
Accounts payable, accrued expenses and other liabilities	(8,976)	(7,259)
Net cash provided by operating activities	**60,982**	**48,466**
INVESTING ACTIVITIES:		
Real estate acquisitions	(200,523)	(74,509)
Capital expenditures and development activities	(70,856)	(37,565)
Proceeds from dispositions of real estate investments	112,468	26,115
Investments in unconsolidated joint ventures	(1,046)	(2,402)
Repayment of notes receivable		2,344
Casualty and insurance proceeds	5,553	694
Distributions of investments in unconsolidated joint ventures	1,155	681
Other investing activities	(245)	(315)
Net cash used in investing activities	**(153,494)**	**(84,957)**
FINANCING ACTIVITIES:		
Proceeds from senior unsecured revolving line of credit	199,000	165,000
Repayments of senior unsecured revolving line of credit	(192,000)	(60,000)
Proceeds from senior unsecured notes	225,000	
Repayments of senior unsecured notes	(175,000)	
Proceeds from mortgage notes	16,498	
Principal payments on mortgage notes	(15,320)	(36,613)
Payments of deferred loan costs	(3,263)	(114)
Proceeds from issuance of common stock, net	75,920	
Offering costs for issuance of common stock and OP Units	(975)	(112)
Redemption of noncontrolling interests	(752)	(2,830)
Dividends to common stockholders	(39,781)	(34,585)
Distributions to noncontrolling interests	(3,958)	(3,712)
Contributions from noncontrolling interests	723	30

Other financing activities	3,347	
Net cash provided by financing activities	**89,439**	**27,064**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(3,073)**	**(9,427)**
CASH AND CASH EQUIVALENTS, beginning of period	**12,696**	**12,834**
CASH AND CASH EQUIVALENTS, end of period	**$ 9,623**	**$ 3,407**
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 30,568	$ 33,578
Supplemental Disclosures of Non-Cash Activities		
Retirement of fully depreciated and amortized assets	$ 17,950	$ 28,417
Redemptions of OP Units settled in shares of common stock	$ 9,230	$ 25,304
Assumption of mortgage notes in connection with real estate acquired	$	$ 6,990

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

DCT INDUSTRIAL TRUST INC. 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 and in Mexico. As used herein, DCT Industrial Trust, DCT, the Company, we, our and us refer to DCT Industrial Trust Inc. and its consolidated subsidiaries and partners except where the context otherwise requires. We were formed as a Maryland corporation in April 2002 and have elected to be treated as a real estate investment trust (REIT) for United States (U.S.) federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP (the operating partnership), a Delaware limited partnership, for which DCT Industrial Trust Inc. is the sole general partner. We own our properties through our operating partnership and its subsidiaries. As of June 30, 2013, we owned approximately 93.9% of the outstanding equity interests in our operating partnership.

As of June 30, 2013, the Company owned interests in approximately 74.9 million square feet of properties leased to approximately 870 customers, including:

- 61.3 million square feet comprising 405 consolidated operating properties, including 0.2 million square feet comprising one consolidated building classified as held for sale, which were 91.9% occupied;
- 12.3 million square feet comprising 38 unconsolidated properties which were 90.8% occupied and operated on behalf of four institutional capital management partners;
- 0.3 million square feet comprising four consolidated properties under redevelopment; and
- 1.0 million square feet comprising three consolidated buildings in development.

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, 2012 and related notes thereto as filed on Form 10-K on February 21, 2013.

Basis of Presentation

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

Principles of Consolidation

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

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) and our ability to participate in major decisions. Our ability to correctly assess our influence or control over an entity affects the presentation of these investments in the Consolidated Financial Statements and, consequently, our financial position and results of operations.

Reclassifications

Certain items in our Consolidated Financial Statements for 2012 have been reclassified to conform to the 2013 presentation. Income statement amounts for properties disposed of or classified as held for sale have been reclassified to discontinued operations for all periods presented.

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

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the full lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect over the remaining lease term rather than currently, which are recorded as a straight-line rent receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation. The total increase to Rental revenues due to straight-line rent adjustments was approximately $1.1 million and $2.4 million, for the three and six months ended June 30, 2013, respectively, and approximately $1.2 million and $3.2 million, for the three and six months ended June 30, 2012, respectively.

Tenant recovery income includes payments and amounts due from tenants pursuant to their leases for real estate taxes, insurance and other recoverable property operating expenses and is recognized as Rental revenues during the same period the related expenses are incurred. Tenant recovery income recognized as Rental revenues was approximately $15.9 million and $31.0 million, for the three and six months ended June 30, 2013, respectively and approximately $11.7 million and $23.8 million, for the same periods in 2012, respectively.

We maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. If a tenant fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances. As of June 30, 2013 and December 31, 2012, our allowance for doubtful accounts was approximately $1.7 million and $1.3 million, respectively.

In connection with property acquisitions qualifying as business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to Rental revenues over the reasonably assured term of the related leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations over the shorter of the expected life of such assets and liabilities or the remaining lease term. The total net impact to Rental revenues due to the amortization of above and below market rents was an increase of approximately $0.4 million and $0.8 million for the three and six months ended June 30, 2013, respectively, and approximately $0.1 million and $0.3 million for the three and six months ended June 30, 2012, respectively.

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 an increase of approximately $0.2 million and $0.3 million for the three and six months ended June 30, 2013, respectively, and approximately $0.1 million and $0.2 million for the three and six months ended June 30, 2012, respectively.

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

New Accounting Standards

In the first quarter of 2013 the Financial Accounting Standards Board (the FASB) issued an accounting standard update that requires disclosure of the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount is required under GAAP to be reclassified in its entirety to net income. Additionally, the update requires disclosure of changes in each component of other comprehensive income. The disclosure requirements were retroactively effective for us on January 1, 2013. As this guidance only requires expanded disclosure, the adoption did not have a material impact on our consolidated financial statements.

Note 3 - Investment in Properties

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

	June 30, 2013	December 31, 2012
Operating properties	$ 3,368,033	$ 3,209,024
Properties under redevelopment	17,824	14,699
Properties under development	98,294	80,008
Properties in pre-development including land held	88,128	81,796
Total Investment in Properties	**3,572,279**	**3,385,527**
Less accumulated depreciation and amortization	(636,767)	(605,888)
Net Investment in Properties	**$ 2,935,512**	**$ 2,779,639**

Acquisition Activity

During the six months ended June 30, 2013, we acquired 18 buildings comprising 4.3 million square feet. These properties located in the Southern California, Atlanta, Dallas, New Jersey, Pennsylvania, Chicago, Charlotte and Northern California markets were acquired for a total purchase price of approximately $193.0 million. Related to these acquisitions, we incurred acquisition costs of approximately $1.2 million during the six months ended June 30, 2013, included in General and administrative in our Consolidated Statements of Operations.

Development Activity

As of June 30, 2013, our properties under development include the following:

Three buildings totaling 0.9 million square feet that are currently in lease-up as major construction activities have been completed. Two of these buildings total 0.3 million square feet and are 100% leased and 81.7% occupied.

Four under-construction projects totaling 1.4 million square feet, of which 0.9 million square feet is 100% leased.

The 8th and Vineyard A build-to-suit project which is under contract and has commenced construction, however, no profit has been recognized as the sale does not yet meet the requirements of profit recognition for accounting purposes.

In addition, we have one under-construction expansion project totaling 0.2 million square feet that was 100% leased as of June 30, 2013. During the six months ended June 30, 2013, we recognized development profits of approximately $0.3 million related to the Dulles Summit build-to-suit project, for which construction was completed during the second quarter.

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Disposition Activity

During the six months ended June 30, 2013, we sold 17 operating properties totaling approximately 3.4 million square feet to third-parties in the Atlanta, Louisville, Memphis and San Antonio markets, for combined gross proceeds of $111.2 million. We recognized gains of approximately $17.5 million on these dispositions. All gains associated with these sales are reflected in Income (loss) from discontinued operations in the Consolidated Financial Statements.

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 $2.9 million and $5.4 million for the three and six months ended June 30, 2013, respectively and $2.5 million and $5.2 million for the same periods in 2012, respectively. Our intangible lease assets included the following as of June 30, 2013 and December 31, 2012 (in thousands).

	June 30, 2013			**December 31, 2012**		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Other intangible lease assets	$ 73,283	$ (25,580)	$ 47,703	$ 71,846	$ (26,181)	$ 45,665
Above market rent	$ 4,053	$ (1,882)	$ 2,171	$ 6,621	$ (4,348)	$ 2,273
Below market rent	$ (26,257)	$ 6,707	$ (19,550)	$ (27,590)	$ 7,442	$ (20,148)

Note 4 - Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of developing industrial real estate and to establish commingled investment vehicles with institutional partners. 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 as of June 30, 2013 and December 31, 2012 (dollars in thousands).

	As of June 30, 2013		**Unconsolidated Investment in and Advances as of**	
Unconsolidated Joint Ventures	**DCT Ownership**	**Number of Buildings**	**June 30, 2013**	**December 31, 2012**
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC	20.0%	13	$ 42,067	$ 42,571
TRT-DCT Venture I[1]	3.6%	7	848	558
TRT-DCT Venture II	11.4%	5	1,943	1,990
TRT-DCT Venture III	10.0%	4	1,170	1,225
Total Institutional Joint Ventures		29	46,028	46,344
Other:				
Stirling Capital Investments (SCLA)[2]	50.0%	6	52,400	53,840
IDI/DCT, LLC	50.0%	3	27,477	27,736
IDI/DCT Buford, LLC (land only)	75.0%		3,453	3,054
Total Other		9	83,330	84,630
Total		38	$ 129,358	$ 130,974

(1)

During the three months ended June 30, 2013, DCT purchased the remaining 96.4% interest in seven of the 14 properties from TRT-DCT Venture I for additional consideration of $82.8 million. The seven properties purchased were consolidated as of June 30, 2013.

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

Guarantees

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

Note 5 - Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of June 30, 2013 and December 31, 2012, the fair values of cash and cash equivalents, restricted cash held in escrow, accounts receivable and accounts payable approximated their carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies appropriate 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 as of June 30, 2013 and December 31, 2012 (in thousands).

	Balances as of June 30, 2013		Balances as of December 31, 2012	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings[1]:				
Senior unsecured revolving credit facility	$ 117,000	$ 117,000	$ 110,000	$ 110,000
Fixed rate debt[2]	$ 992,395	$ 1,074,055	$ 1,167,314	$ 1,306,761
Variable rate debt	$ 400,000	$ 400,000	$ 175,000	$ 176,922
Interest rate contracts:				
Interest rate swap[3]	$ 53	$ 53	$	$

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

(2) The carrying amount of our fixed rate debt includes premiums and discounts as a result of the difference between the fair value and face value of debt assumed in connection with our acquisition activities.

(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.

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The following table displays a reconciliation of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the six months ended June 30, 2013 and 2012. 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 (in thousands).

	During the Six Months Ended June 30,	
	2013	2012
Level 3 Assets (Liabilities):		
Interest Rate Swaps:		
Beginning balance at January 1	$	$ (26,746)
Net unrealized income (loss) included in accumulated other comprehensive loss	53	(4,212)
Realized income recognized in interest expense		371
Ending balance at June 30	$ 53	$ (30,587)

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 (loss) in our Consolidated Statements of Comprehensive Income (Loss) (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 the three months ended June 30, 2013 certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month LIBOR rates. The first pay-fixed, receive-floating swap has a notional amount of $6.2 million, a fixed rate of 2.32%, an effective date of June 2013 and a maturity date of June 2023. The second pay-fixed, receive-floating swap has a notional amount of $1.0 million, a fixed rate of 2.32%, 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%. The associated counterparty of both swaps is Rabobank, N.A. As of December 31, 2012, we did not have any hedges in place.

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The following table presents the effect of our derivative financial instruments on our accompanying financial statements for the three and six months ended June 30, 2013 and 2012 (amounts in thousands).

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Derivatives Designated as Hedging Instruments				
Derivative type	Interest rate contracts	Interest rate contracts	Interest rate contracts	Interest rate contracts
Amount of gain (loss) recognized in Other Comprehensive Income (OCI) (effective portion)	$ 1,012	$ (5,778)	$ 1,110	$ (4,212)
Location of gain or (loss) reclassified from accumulated OCI into income (effective portion)	Interest expense and Equity in (earnings) loss of unconsolidated joint ventures	Interest expense	Interest expense and Equity in (earnings) loss of unconsolidated joint ventures	Interest expense
Amount of loss reclassified from accumulated OCI into income (effective portion)	$ (1,000)	$ (251)	$ (2,000)	$ (502)
Location of loss recognized in income (ineffective portion and amount excluded from effectiveness testing)	Interest expense	Interest expense	Interest expense	Interest expense
Amount of loss recognized in income due to missed forecast (ineffective portion and amount excluded from effectiveness testing)	$	$ 655	$	$ 655

Amounts reported in Accumulated other comprehensive loss related to derivatives will be amortized to Interest expense as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $4.2 million will be reclassified from Accumulated other comprehensive loss to Interest expense resulting in an increase in such expense.

Note 6 - Outstanding Indebtedness

As of June 30, 2013 our outstanding indebtedness of approximately $1.5 billion consisted of mortgage notes, senior unsecured notes, and a line of credit, excluding approximately $42.5 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2012, our outstanding indebtedness of approximately $1.5 billion consisted of mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility, which excludes $45.0 million representing our proportionate share of debt associated with unconsolidated joint ventures.

As of June 30, 2013, the gross book value of our consolidated properties was approximately $3.6 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. As of December 31, 2012, the gross book value of our consolidated properties was approximately $3.4 billion and the gross book value of all properties securing our mortgage debt was approximately $0.7 billion. Our debt has various covenants with which we were in compliance as of June 30, 2013 and December 31, 2012.

Debt Issuances

On February 20, 2013, DCT entered into an amendment with our syndicated bank group whereby we extended and increased our existing $175.0 million senior unsecured term loan to $225.0 million for a period of five years, extended our existing $300.0 million senior unsecured line of credit for a period of four years and received a commitment for an additional $175.0 million senior unsecured term loan with a term of two years, of which we had issued $175.0 million as of June 30, 2013. The term loan amendment was a modification of debt for accounting purposes.

During June 2013 we issued two secured mortgage notes with principal balances of $1.0 million and $6.2 million which mature in June 2023. The notes bear interest at a variable rate, however we have fixed the rate at 4.72% using two interest rate swaps (See Note 5 Financial Instruments and Hedging Activities for further detail). The notes require monthly payments of principal and interest.

Debt Retirements

During the six months ended June 30, 2013, we used proceeds from our senior unsecured term loan to repay a $175.0 million senior unsecured note that was scheduled to mature in June of 2013.

During the six months ended June 30, 2013, we retired mortgage notes totaling $11.0 million previously scheduled to mature in April and June of 2013, using proceeds from the Company s senior unsecured revolving credit facility and proceeds from our equity offerings.

Line of Credit

As of June 30, 2013, we had $117.0 million outstanding and $183.0 million available under the unsecured revolving credit facility. As of December 31, 2012, we had $110.0 million outstanding and $190.0 million available under the unsecured revolving credit facility.

Note 7 - Noncontrolling Interests

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Our noncontrolling interests primarily represent limited partnership interests in 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. Noncontrolling interests representing interests in the operating partnership primarily include limited partnership interest in our operating partnership (OP Units) and LTIP Units which are classified as permanent equity and are included in Noncontrolling interests in the Consolidated Balance Sheets.

The following table illustrates the noncontrolling interests share of consolidated net (income) loss during the three and six months ended June 30, 2013 and 2012 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Noncontrolling interests share of loss from continuing operations	$ 177	$ 883	$ 56	$ 1,848
Noncontrolling interests share of (income) loss from discontinued operations	(1,035)	873	(1,271)	735
Net (income) loss attributable to noncontrolling interests	$ (858)	$ 1,756	$ (1,215)	$ 2,583

OP Units

As of June 30, 2013 and December 31, 2012, we owned approximately 93.9% and 93.3%, respectively, of the outstanding equity interests in the operating partnership. Upon redemption by the unitholder, we have the option of redeeming the units of OP Units with cash or with shares of our common stock on a one-for-one basis, subject to adjustment.

During the three months ended June 30, 2013, 1.0 million OP Units were redeemed for approximately $0.1 million in cash and 1.0 million shares of common stock. During the six months ended June 30, 2013, 1.4 million OP Units were redeemed for approximately $0.8 million in cash and 1.3 million shares of common stock. During the three months ended June 30, 2012, 2.5 million OP Units were redeemed for approximately $1.9 million in cash and 2.1 million shares of common stock. During the six months ended June 30, 2012, 3.7 million OP Units were redeemed for approximately $2.8 million in cash and 3.2 million shares of common stock.

As of June 30, 2013, there was a total of 18.1 million OP Units outstanding and redeemable, with a redemption value of approximately $129.4 million based on the closing price of our common stock on June 30, 2013. As of December 31, 2012 there was a total of 19.5 million OP Units outstanding with a redemption value of approximately $126.8 million based on the closing price of our common stock on December 31, 2012, all of which were redeemable for cash or stock, at our election.

LTIP Units

We may grant limited partnership interests in the operating partnership called LTIP Units. LTIP Units, which we grant either as free-standing awards or together with other awards under the Long-Term Incentive Plan, as amended, are valued by reference to the value of our common stock, and are subject to such conditions and restrictions as our compensation committee may determine, including continued employment or service, computation of financial metrics and achievement of pre-established performance goals and objectives. LTIP Units typically vest ratably over a period of four to five years depending on the grant. Vested LTIP Units can generally be converted to OP Units on a one-for-one basis.

During the six months ended June 30, 2013, approximately 0.7 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of $4.6 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 52% and a risk-free interest rate of 0.84%. During the six months ended June 30, 2013, there were no conversions of vested LTIP Units into OP Units. As of June 30, 2013, approximately 3.0 million LTIP Units were outstanding of which 1.0 million were vested. In addition, during the six months ended June 30, 2013 we issued 0.4 million LTIP Units for awards issued in connection with our multi-year outperformance program that ended December 31, 2012.

During the six months ended June 30, 2012, approximately 0.7 million LTIP Units were granted to certain senior executives, which vest over a four or five year period with a total fair value of $3.9 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 72% and risk-free interest rates of 0.82% and 1.04%. During the six months ended June 30, 2012, 0.1 million vested LTIP Units were converted into 0.1 million OP Units. As of December 31, 2012, approximately 1.9 million LTIP Units were outstanding of which 0.4 million were vested.

Note 8 - Stockholders Equity

Common Stock

As of June 30, 2013, approximately 292.3 million shares of common stock were issued and outstanding.

On May 29, 2013, we registered a third continuous equity offering program, to replace our continuous equity offering program previously registered on November 20, 2012. Pursuant to this offering, we may sell up to 20 million shares of common stock from time-to-time through May 29, 2016 in at-the-market offerings or certain other transactions. We intend to use the proceeds from any sale of shares for general corporate purposes, which may include funding acquisitions and repaying debt. During the three and six months ended June 30, 2013, we issued approximately 6.6 million and 10.4 million shares, respectively, through the second continuous equity offering program, at an average price of $7.32 and $7.33 per share, respectively, for proceeds of $48.2 million and $76.1 million, respectively, before offering expenses. As of June 30, 2013, 20 million shares remain available to be issued under the current offering.

During the three and six months ended June 30, 2013, we issued approximately 1.0 million and 1.3 million shares of common stock, related to the redemption of OP Units (see additional information in Note 7 Noncontrolling Interests above), respectively, and approximately 33,000 and 0.2 million shares of common stock, respectively, related to vested shares of restricted stock, phantom shares and stock option exercises. During the three and six months ended June 30, 2012, we issued approximately 2.1 million and 3.2 million shares of common stock, respectively, related to the redemption of OP Units, and approximately 38,000 and 0.2 million shares of common stock, respectively, related to vested shares of restricted stock, phantom shares and stock option exercises. The net proceeds from the sales of our securities are transferred to our operating partnership for a number of OP Units equal to the shares of common stock sold in our public offerings.

Equity-Based Compensation

On October 10, 2006, we established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during

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which the awards fully vest. Such expense is included in General and administrative expense in our Consolidated Statements of Operations. Options issued under the Long-Term Incentive Plan are valued using the Black-Scholes option pricing model, which relies on assumptions we make related to the expected term of the options, volatility, dividend yield and risk free interest rate.

Multi-Year Outperformance Program

During the six months ended June 30, 2013 we issued 0.4 million LTIP Units for awards issued in connection with our multi-year outperformance program that ended December 31, 2012.

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. The restricted stock fair value on the date of grant is amortized on a straight-line basis as stock-based compensation expense over the service period during which term the stock fully vests. Restricted stock typically vests ratably over a period of four or five years, depending on the grant. During the three and six months ended June 30, 2013, we granted approximately 2,000 and 0.3 million shares of restricted stock, respectively, to certain officers and employees at the weighted-average fair market value of $7.83 and $7.13 per share, respectively.

Note 9 - Related Party Transactions

8th and Vineyard Consolidated Joint Venture

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

Southern California Consolidated Ventures

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

Note 10 - Earnings per Share

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

A participating security is defined by GAAP as an unvested share-based payment award containing non-forfeitable rights to dividends and must be included in the computation of earnings per share pursuant to the two-class method. 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.

The following table sets forth the computation of basic and diluted earnings per common share for the three and six months ended June 30, 2013 and 2012 (in thousands, except per share amounts).

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	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Earnings per Common share Basic and Diluted				
Numerator				
Loss from continuing operations	$ (3,750)	$ (8,018)	$ (6,201)	$ (16,312)
(Income) loss from continuing operations attributable to noncontrolling interests	177	883	56	1,848
Loss from continuing operations attributable to common stockholders	(3,573)	(7,135)	(6,145)	(14,464)
Less: Distributed and undistributed earnings allocated to participating securities	(174)	(137)	(346)	