DCT Industrial Trust Inc.
Form 10-K
February 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark one)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-33201

DCT INDUSTRIAL TRUST INC.

(Exact name of registrant as specified in its charter)

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

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

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

Yes [X] No [ ]

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

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

Large accelerated filer [X] Accelerated filer [ ]
Non-accelerated filer [ ] (do not check if smaller reporting company) Smaller reporting company [ ]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

As of June 30, 2011, the aggregate market value of the 242.5 million shares of voting and non-voting common stock held by non-affiliates of the registrant was $1.3 billion based on the closing sale price of $5.23 as reported on the New York Stock Exchange on June 30, 2011. (For this computation, the registrant has excluded the market value of all shares of Common Stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.) As of February 17, 2012 there were 247,088,176 shares of Common Stock outstanding.

Documents Incorporated by Reference

Portions of the registrant s definitive proxy statement to be issued in conjunction with the registrant s annual meeting of stockholders to be held April 26, 2012 are incorporated by reference into Part III of this Annual Report.

DCT INDUSTRIAL TRUST INC.

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FORWARD-LOOKING STATEMENTS

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

- national, international, regional and local economic conditions, including, in particular, the continuing impact of the ongoing economic downturn and the strength of the economic recovery and the impact of the financial crisis in Europe;
- 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 and dispositions;
- natural disasters such as fires, tornadoes, hurricanes and earthquakes;
- energy costs;
- the terms of governmental regulations that affect us and interpretations of those regulations, including the costs of compliance with those regulations, changes in real estate and zoning laws and increases in real property tax rates;
- financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal, interest and other commitments;

lack of or insufficient amounts of insurance;

litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;

the consequences of future terrorist attacks or civil unrest;

environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us; and

other risks and uncertainties detailed in the section entitled Risk Factors.

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

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

PART I

ITEM 1. BUSINESS

The Company

DCT Industrial Trust Inc. is a leading industrial real estate company that owns, operates and develops high-quality bulk distribution and light industrial properties in high-volume distribution markets in the U.S. and 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 partnerships except where the context otherwise requires. We were formed as a Maryland corporation in April 2002 and have elected to be treated as a real estate investment trust (REIT) for United States (U.S.) federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP (the operating partnership), a Delaware limited partnership, for which DCT Industrial Trust Inc. is the sole general partner. We own our properties through our operating partnership and its subsidiaries. As of December 31, 2011, we owned approximately 90% of the outstanding equity interests in our operating partnership.

Available Information

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to any of those reports that we file with the Securities and Exchange Commission are available free of charge as soon as reasonably practicable through our website at www.dctindustrial.com. The information contained on our website is not incorporated into this Annual Report. Our Common Stock is listed on the New York Stock Exchange under the symbol DCT .

Business Overview

Our portfolio primarily consists of high-quality functional bulk distribution warehouses and light industrial properties. The properties we target for acquisition or development are generally characterized by convenient access to major transportation arteries, proximity to densely populated markets and quality design standards that allow our customers efficient and flexible use of the buildings. In the future, we intend to continue to focus on properties that exhibit these characteristics in select U.S. markets where we believe we can achieve favorable returns and leverage our local expertise. We seek to maximize long-term earnings and shareholder value within the context of overall economic conditions, primarily through increasing rents and operating income at existing properties and acquiring and developing high-quality properties in major distribution markets. In addition, we will recycle our capital by disposing of existing assets and reinvesting the proceeds into newly acquired or developed assets where we believe the returns will be more favorable over time.

As of December 31, 2011, the Company owned interests in, managed or had under development approximately 75.5 million square feet of properties leased to approximately 900 customers, including:

- 58.1 million square feet comprising 408 consolidated properties owned in our operating portfolio which were 90.6% occupied;
- 0.2 million square feet comprising one consolidated property under redevelopment; and
- 17.2 million square feet comprising 52 unconsolidated properties which were 86.3% occupied and one managed-only property operated on behalf of five institutional capital management partners.

As of December 31, 2011, our total consolidated portfolio consisted of 409 properties with an average size of 142,000 square feet and an average age of 20.2 years.

During the year ended December 31, 2011, we acquired 24 buildings comprising 2.8 million square feet and controlling ownership interests in three buildings totaling 0.4 million square feet. These properties, land and

ownership interests were acquired for a total purchase price of approximately $222.6 million, including $9.8 million attributable to the noncontrolling interests share. We funded these acquisitions with proceeds from our equity offering, proceeds from asset sales, proceeds from our private placement of senior unsecured notes, borrowings under our senior unsecured revolving credit facility, proceeds from a nonrecourse mortgage financing, issuance of OP units and existing cash balances.

During the year ended December 31, 2011, we sold 16 operating properties totaling approximately 2.7 million square feet to third-parties. The properties were sold for combined gross proceeds of approximately $108.3 million, resulting in gains of $12.0 million and impairment losses of $7.8 million, which represented the difference between the carrying value and the fair value of the assets sold, net of sales costs.

We have a broadly diversified tenant base. As of December 31, 2011, our consolidated operating properties had leases with approximately 900 customers with no single customer accounting for more than 1.7% of the total annualized base rents of our properties. Our ten largest customers occupy approximately 10.6% of our consolidated properties based on square footage and account for approximately 12.8% of the annualized base rents of these properties. We believe that our broad national presence in the top U.S. distribution markets provides geographic diversity and is attractive to users of distribution space which allows us to build strong relationships with our customers. Furthermore, we are actively engaged in meeting our customers expansion and relocation requirements.

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

Business Strategy

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

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

Profitably Acquiring Properties. We seek to acquire properties that meet our asset, location and financial criteria at prices and potential returns which we believe are attractive. We have indentified certain markets and sub-markets where we focus our efforts on identifying buildings to acquire. Acquisitions may include fully-leased buildings, vacant properties, or land where we think our leasing and development expertise can add value.

Selectively Pursuing New Development. To meet current tenant demand, we intend to develop new assets in in-fill locations in select markets where rents and vacancy levels demonstrate the need for new construction. During 2011, we acquired five land parcels totaling approximately 102.2 acres. During 2011, we commenced construction of two buildings totaling 178,000 square feet on a 13.3 acre land site in the Dulles Corridor submarket of Washington D.C. which is expected to be completed early in 2012. In 2011, we also entered into a forward purchase commitment with an unrelated third-party to acquire a newly constructed industrial facility totaling approximately 267,000 square feet on a 16.0 acre site in the Northwest submarket of Houston, which is expected to be completed in mid-2012. There is active interest by a number of users for both projects.

Recycling Capital. We intend to selectively dispose of non-strategic assets and redeploy the proceeds into higher growth acquisition and development opportunities. In 2011, we sold $108.3 million of non-strategic assets for deployment into higher growth assets.

Conservatively Managing Our Balance Sheet. We plan to maintain financial metrics, including leverage and coverage ratios on a basis consistent with our investment grade peers. This strategy has provided protection from turmoil in the capital markets during the economic downturn and should keep us well positioned to finance capital deployment opportunities as they arise. In addition, we believe that a conservatively managed balance sheet provides a competitive long-term cost of capital by lowering borrowing costs over time.

Our Competitive Strengths

We believe that we distinguish ourselves from other owners, operators, acquirers and developers of industrial properties. Although our business strategy reflects current market conditions, we believe our long-term success is supported through the following competitive strengths:

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

Experienced and Committed Management Team. Our executive management team collectively has an average of nearly 26 years commercial real estate experience and 15 years of industrial real estate experience. Additionally, our executive management team has extensive public company operating experience.

Strong Operating Platform. We have a team of 63 experienced transaction and property management professionals working in ten regional offices to maximize market opportunities effectively through local expertise, presence and relationships. We believe successfully meeting the needs of our customers and anticipating and responding to market opportunities will result in achieving superior returns from our properties.

Proven Acquisition and Disposition Capabilities. The company has extensive experience in acquiring industrial real estate, including both smaller transactions as well as larger portfolio acquisitions. Our local market teams are an important advantage in sourcing potential transactions, both marketed as well as off-market. The average transaction size of our acquisitions in 2010 and 2011 was $12.1 million; demonstrating our ability to access a significant pipeline of smaller acquisitions. Further, consistent with our capital recycling strategy, we have disposed of a cumulative $931.3 million of real estate investments since inception. Our ability to acquire and sell real estate is driven by the experience of our transaction personnel and our extensive network of industry relationships within the brokerage, development and investor communities.

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

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

Capital Structure. Our capital structure and business plan provides us with sufficient financial flexibility and capacity to fund future growth. As of December 31, 2011 we had $290.2 million available under our senior unsecured revolving credit facility and 312 of our consolidated operating properties with a gross book value of $2.4 billion were unencumbered.

Operating Segments

During 2011, management reorganized internal reporting whereby the operating results used to assess performance were aggregated into three reportable segments, East, Central and West, which are based on the geographical locations of our properties. This change aligns the markets by which management and their operating teams conduct and monitor business. Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance. See additional information in Item 2. Properties and in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements, Note 14 Segment Information.

Competition

The market for the leasing of industrial real estate is highly competitive. We experience competition for tenants from other existing assets in proximity to our buildings as well as from proposed new developments. As a result, we may have to provide free rental periods, incur charges for tenant improvements or offer other inducements, all of which may have an adverse impact on our results of operations.

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

Employees

As of December 31, 2011, we had 117 full-time employees.

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

Adverse economic conditions will negatively affect our returns and profitability.

Our operating results may be affected by weakness in the national economy as well as in the local economies where our properties are located. Specific impacts may include:

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

Also, to the extent we purchase real estate in an unstable market, we are subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future that it attracts at the time of our purchases, or the number of companies seeking to acquire properties decreases, the value of our investments may not appreciate or may decrease significantly below the amount we pay for these investments. The length and severity of any economic slowdown or downturn cannot be predicted. Our operations could be negatively affected to the extent that an economic slowdown or downturn is prolonged or becomes more severe.

Constrained credit markets and real estate markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions to you.

Domestic and international financial markets continue to be constrained, which have impacted the availability of credit and contributed to rising costs associated with obtaining credit. If debt financing is not available on terms and conditions we find acceptable, we may not be able to obtain financing for investments. If the credit markets continue to be constrained, our ability to borrow monies to finance the purchase of, or other activities related to, real estate assets will be negatively impacted. If we are unable to borrow monies on terms and conditions that we find acceptable, we likely will have to reduce the number of properties we can purchase, and the return on the properties we do purchase may be lower. If interest rates are higher when the properties are refinanced, interest expense may increase and our income may be reduced. In addition, if we pay fees to lock-in a favorable interest rate, falling interest rates or other factors could require us to forfeit these fees. Also, if the value of our properties decline we may be unable to refinance all of our debt as it matures. All of these events would have a material adverse effect on our results of operations, financial condition and ability to pay distributions.

Substantial international, national and local government deficits and the weakened financial condition of these governments may adversely impact our business, financial condition and results of operations. In particular, for example, uncertainty about the financial stability of several countries in the European Union, the increasing risk that those countries may default on their sovereign debt and related stresses on financial markets could have an adverse effect on our business, results of operations and financial condition.

The values of, and the cash flows from, the properties we own are affected by developments in global, national and local economies. As a result of the recent severe recession and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations, defaults on debt obligations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

There can be no assurance that the market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. Risks and ongoing concerns about the debt crisis in Europe could have a detrimental impact on the global economic recovery, financial markets and institutions and the availability of debt financing, which may directly or indirectly adversely affect our business, financial condition and results of operations.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

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

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

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of certain key personnel including, but not limited to, our management group, each of whom would be difficult to replace. If any of our key personnel were to cease employment with us, our operating results could suffer. Our ability to retain our management group or to attract suitable replacements should any member of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flows. Further, such a loss could be negatively perceived in the capital markets. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel.

We also believe that, as we expand, our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, investment, financing, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure our stockholders that we will be successful in attracting and retaining such skilled personnel.

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

As a REIT, we must meet certain annual distribution requirements. Consequently, we are largely dependent on external capital to fund our development and acquisition activities. Further, in order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then-prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. Alternatively, pursuant to recent IRS guidance, we may elect to declare certain taxable dividends for the taxable year ended December 31, 2011, that are up to 90% payable in the form of our common stock (with the remainder payable in cash). In this event, stockholders will be required to include the full amount of the dividends in income, and stockholder s tax liability could exceed the cash portion of their dividend. Additionally, our ability to access capital is dependent upon a number of factors, including general market conditions and competition from other real estate companies. To the extent that capital is not available to acquire or develop properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our common stock.

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

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

We may be unable to source off-market deal flow in the future.

A key component of our growth strategy is to continue to acquire additional industrial real estate assets. Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of a formal sales process, which could lead to higher prices. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

Our real estate development strategies may not be successful.

We are involved in the construction and expansion of distribution facilities and we intend to continue to pursue development and renovation activities as opportunities arise. In addition, we have entered into joint ventures to develop, or will self-develop, additional warehouse/distribution buildings on land we already own or control, and we have rights under master development agreements to acquire additional acres of land for future development activities. We will be subject to risks associated with our development and renovation activities that could adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the market price of, our common stock, including, but not limited to:

- the risk that development projects in which we have invested may be abandoned and the related investment will be impaired;
- the risk that we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;
- the risk that we may not be able to obtain additional land on which to develop;
- the risk that we may not be able to obtain financing for development projects on favorable terms;
- the risk that construction costs of a project may exceed the original estimates or that construction may not be concluded on schedule, making the project less profitable than originally estimated or not profitable at all (including the possibility of contract default, the effects of local weather conditions, the possibility of local or national strikes and the possibility of shortages in materials, building supplies or energy and fuel for equipment);
- the risk that, upon completion of construction, we may not be able to obtain, or obtain on advantageous terms, permanent financing for activities that we have financed through construction loans; and

the risk that occupancy levels and the rents that can be charged for a completed project will not be met, making the project unprofitable.

Our institutional capital management strategy of contributing properties to joint ventures we manage may not allow us to expand our business and operations as quickly or as profitably as we desire.

In general, our ability to contribute properties to joint ventures that are part of our institutional capital management program on advantageous terms will be dependent upon competition from other managers of similar joint ventures, current capital market conditions, including the yield expectations for industrial properties, and other factors beyond our control. Our ability to develop and timely lease properties will impact our ability to contribute these properties. Continued access to private and public debt and equity capital by these joint ventures is necessary in order for us to pursue our strategy of contributing properties to the joint ventures. Should we not have sufficient properties available that meet the investment criteria of current or future joint ventures, or should the joint ventures have limited or no access to capital on favorable terms, then these contributions could be delayed resulting in adverse effects on our liquidity and on our ability to meet projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels in a particular reporting period could have an adverse effect on our results of operations, distributable cash flows and on the value of our common stock. Further, our inability to redeploy the proceeds from our divestitures in accordance with our investment strategy could have an adverse effect on our results of operations, distributable cash flows, and our ability to meet our debt obligations in a timely manner and the value of our common stock in subsequent periods.

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

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

- that our co-member, co-venturer or partner in an investment might become bankrupt, which would mean that we and any other remaining general partners, members or co-venturers would generally remain liable for the partnership s, limited liability company s or joint venture s liabilities;

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

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

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

- that joint venture, limited liability company and partnership agreements often restrict the transfer of a co-venturer s, member s or partner s interest or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;

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

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

- that we may in certain circumstances be liable for the actions of our partners, co-members or co-venturers.

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

If we invest in a limited partnership as a general partner we could be responsible for all liabilities of such partnership.

In some joint ventures or other investments we may make, if the entity in which we invest is a limited partnership, we may acquire all or a portion of our interest in such partnership as a general partner. As a general partner, we could be liable for all the liabilities of such partnership. Additionally, we may be required to take our interests in other investments as a non-managing general partner. Consequently, we would be potentially liable for all such liabilities without having the same rights of management or control over the operation of the partnership as the managing general partner or partners may have. Therefore, we may be held responsible for all of the liabilities of an entity in which we do not have full management rights or control, and our liability may far exceed the amount or value of the investment we initially made or then had in the partnership.

Investment in us may be subject to additional risks relating to our international investments.

We have operations in Mexico. Our foreign operations could be affected by factors peculiar to the laws and business practices of the jurisdictions in which the properties are located. These laws may expose us to risks that are different from and in addition to those commonly found in the United States. Foreign operations could be subject to the following risks:

- changing governmental rules and policies, including changes in land use and zoning laws;
- enactment of laws relating to the foreign ownership of real property or mortgages and laws restricting the ability of foreign persons or companies to remove profits earned from activities within the country to the person s or company s country of origin;
- variations in currency exchange rates;
- adverse market conditions caused by terrorism, civil unrest and changes in national or local governmental or economic conditions;
- the willingness of domestic or foreign lenders to make mortgage loans in certain countries and changes in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- the imposition of income and other taxes in those jurisdictions and changes in real estate and other tax rates and other operating expenses in particular countries;
- general political and economic instability;
- our limited experience and expertise in Mexico relative to our experience and expertise in the United States; and
- more stringent environmental laws or changes in such laws, or environmental consequences of less stringent environmental management practices in foreign countries relative to the United States.

The availability and timing of cash distributions is uncertain.

We expect to continue to pay quarterly distributions to our stockholders. However, we bear all expenses incurred by our operations, and our funds generated by operations, after payment of these expenses, may not be sufficient to cover desired levels of distributions to our stockholders.

In addition, our board of directors, in its discretion, may retain any portion of such cash for working capital. We cannot assure our stockholders that sufficient funds will be available to pay distributions.

We may have difficulty funding our distributions with our available cash flows.

To date we have funded our quarterly distributions to investors with available cash flows and, to a lesser extent, with borrowings under our senior credit facility and other borrowings. Our corporate strategy is to fund the payment of quarterly distributions to our stockholders entirely from available cash flows. However, we may continue to fund our quarterly distributions to investors from a combination of available cash flows and proceeds from borrowings. In the event we are unable to consistently fund future quarterly distributions to investors entirely from available cash flows, net of recurring capital expenditures, the value of our shares may be negatively impacted.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

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

There can be no assurance that the estimates and assumptions we use to assess impairments are accurate and will reflect actual results. A worsening real estate market or the failure to continue to improve may cause us to reevaluate the assumptions used in our impairment analysis and our intent to hold, sell, develop or contribute properties. Changes in these assumption may result in impairment charges that could adversely affect our financial condition, results of operations and our ability to pay cash dividends to our stockholders and distributions to the OP unitholders and the market price of our stock.

Our decision to dispose of real estate assets would change the holding period assumption in our valuation analyses, which could result in material impairment losses and adversely affect our financial results.

We evaluate real estate assets for impairment based on the projected cash flow of the asset over our anticipated holding period. If we change our intended holding period, due to our intention to sell or otherwise dispose of an asset, then we must reevaluate whether that asset is impaired. Depending on the carrying value of the property at the time we change our intention and the amount that we estimate we would receive on disposal, we may record an impairment loss that would adversely affect our financial results. This loss could be material to our results of operations in the period that it is recognized.

Adverse economic and geopolitical conditions could negatively affect our returns and profitability.

Among others, the following market and economic challenges may adversely affect our operating results:

- poor economic times may result in tenant defaults under our leases and reduced demand for industrial space;
- overbuilding may increase vacancies; and
- maintaining occupancy levels may require increased concessions, tenant improvement expenditures or reduced rental rates.

Our operations could be negatively affected to the extent that an economic downturn is prolonged or becomes more severe.

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

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

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

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

RISKS RELATED TO CONFLICTS OF INTEREST

Our UPREIT structure may result in potential conflicts of interest.

As of December 31, 2011, we owned 90% of the units of limited partnership interest in our operating partnership, or OP Units, certain unaffiliated limited partners owned 8% of the OP Units and certain of our officers and directors, owned the remaining 2% of the OP Units. Persons holding OP Units in our operating partnership have the right to vote on certain amendments to the limited partnership agreement of our operating partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Furthermore, circumstances may arise in the future when the interest of limited partners in our operating partnership may conflict with the interests of our stockholders. For example, the timing and terms of dispositions of properties held by our operating partnership may result in tax consequences to certain limited partners and not to our stockholders.

GENERAL REAL ESTATE RISKS

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

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

- changes in general or local economic climate;
- the attractiveness of our properties to potential tenants;
- changes in supply of or demand for similar or competing properties in an area;
- bankruptcies, financial difficulties or lease defaults by our tenants;

changes in interest rates and availability of permanent mortgage funds that may render the sale of a property difficult or unattractive or otherwise reduce returns to stockholders;

- changes in operating costs and expenses and our ability to control rents;
- changes in or increased costs of compliance with governmental rules, regulations and fiscal policies, including changes in tax, real estate, environmental and zoning laws, and our potential liability thereunder;
- our ability to provide adequate maintenance and insurance;
- changes in the cost or availability of insurance, including coverage for mold or asbestos;
- unanticipated changes in costs associated with known adverse environmental conditions or retained liabilities for such conditions;
- periods of high interest rates and tight money supply;
- tenant turnover;
- general overbuilding or excess supply in the market areas; and
- disruptions in the global supply chain caused by political, regulatory or other factors including terrorism.

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

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

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

We compete with other developers, owners and operators of real estate, some of which own properties similar to ours in the same markets and submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our tenants, we may lose potential tenants, and we may be pressured to reduce our rental rates below those we currently charge in order to retain tenants when our tenants leases expire. As a result, our financial condition, cash flows, cash available for distribution, trading price of our common stock and ability to satisfy our debt service obligations could be materially adversely affected.

We are dependent on tenants for our revenues.

Our operating results and distributable cash flows would be adversely affected if a significant number of our tenants were unable to meet their lease obligations. In addition, certain of our properties are occupied by a single tenant. As a result, the success of those properties will depend on the financial stability of a single tenant. Lease payment defaults by tenants could cause us to reduce the amount of distributions to stockholders. A default by a tenant on its lease payments could force us to find an alternative source of revenues to pay any mortgage loan on the property. In the event of a tenant default, we may experience delays in enforcing our rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting our investment and re-leasing our property. If a lease is terminated, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss.

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

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

operating properties. The number of vacant or partially vacant industrial properties in a market or submarket could adversely affect both our ability to re-lease the space and the rental rates that can be obtained.

A property that incurs a vacancy could be difficult to sell or re-lease.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. We have significant lease expirations in 2012, as outlined in Item 2 lease expirations. In addition, certain of the properties we acquire may have some level of vacancy at the time of closing. Certain of our properties may be specifically suited to the particular needs of a tenant. We may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash available to be distributed to stockholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We may not have funding for future tenant improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that we will be required to expend funds to construct new tenant improvements in the vacated space in order to attract one or more new tenants. Although we intend to manage our cash position or financing availability to pay for any improvements required for re-leasing, we cannot assure our stockholders that we will have adequate sources of funding available to us for such purposes in the future.

If our tenants are highly leveraged, they may have a higher possibility of filing for bankruptcy or insolvency.

Of our tenants that experience downturns in their operating results due to adverse changes to their business or economic conditions, those that are highly leveraged may have a higher possibility of filing for bankruptcy or insolvency. In bankruptcy or insolvency, a tenant may have the option of vacating a property instead of paying rent. Until such a property is released from bankruptcy, our revenues would be reduced and could cause us to reduce distributions to stockholders. We may have highly leveraged tenants in the future.

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

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

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

Delays we encounter in the selection, acquisition and development of properties could adversely affect our returns. Where properties are acquired prior to the start of construction, it will typically take 12 to 18 months to complete construction and lease available space. Therefore, there could be delays in the payment of cash distributions attributable to those particular properties.

Development and construction of properties may incur delays and increased costs and risks.

In connection with our development strategy, we may acquire raw land upon which we will develop and construct improvements at a fixed contract price. In any such projects we will be subject to risks relating to the builder s ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder s failure to perform may result in legal action by us to rescind the purchase or construction contract

or to enforce the builder s obligations. Performance may also be affected or delayed by conditions beyond the builder s control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. Each of these factors could result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects if they are not fully leased prior to the commencement of construction. Furthermore, the price we agree to for the land will be based on projections of rental income and expenses and estimates of construction costs as well as the fair market value of the property upon completion of construction. If our projections are inaccurate, we may pay too much for the land and fail to achieve our forecast of returns due to the factors discussed above.

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

We have acquired, and may continue to acquire, properties in markets that are new to us. When we acquire properties located in these markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced partners; however, there can be no guarantee that all such risks will be eliminated.

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

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

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

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

Contingent or unknown liabilities could adversely affect our financial condition.

We have acquired, and may in the future acquire, properties, or may have previously owned properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a

result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle it, which could adversely affect our cash flows. Unknown liabilities with respect to entities or properties acquired might include:

- liabilities for clean-up or remediation of adverse environmental conditions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the general partners, officers and directors and others indemnified by the former owners of the properties.

Environmentally hazardous conditions may adversely affect our operating results.

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

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

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

We maintain a portfolio environmental insurance policy that provides coverage for potential environmental liabilities, subject to the policy s coverage conditions and limitations, for most of our properties. From time to time, we may acquire properties or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the

acquisition will yield a superior risk-adjusted return. In such an instance, we underwrite the costs of environmental investigation, clean-up and monitoring into the cost. Further, in connection with property dispositions, we may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

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

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

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

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

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

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

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of

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

We own several of our properties subject to ground leases that expose us to the loss of such properties upon breach or termination of the ground leases and may limit our ability to sell these properties.

We own several of our properties through leasehold interests in the land underlying the buildings and we may acquire additional buildings in the future that are subject to similar ground leases. As lessee under a ground lease, we are exposed to the possibility of losing the property upon termination, or an earlier breach by us, of the ground lease, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Our ground leases contain certain provisions that may limit our ability to sell certain of our properties. In order to assign or transfer our rights and obligations under certain of our ground leases, we generally must obtain the consent of the landlord which, in turn, could adversely impact the price realized from any such sale.

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

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

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

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

If we sell properties and provide financing to purchasers, defaults by the purchasers would adversely affect our cash flows.

If we decide to sell any of our properties, we presently intend to use our best efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our cash distributions to stockholders and result in litigation and related expenses. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of.

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

We may acquire properties through contracts that could restrict our ability to dispose of the property for a period of time. These lock-out provisions could affect our ability to turn our investments into cash and could affect

cash available for distributions to our stockholders. Lock-out provisions could also impair our ability to take actions during the lock-out period that would otherwise be in the best interest of our stockholders and, therefore, may have an adverse impact on the value of our common stock relative to the value that would result if the lock-out provisions did not exist.

RISKS RELATED TO OUR DEBT FINANCINGS

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

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

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

Increases in interest rates could increase the amount of our debt payments and adversely affect our ability to make distributions to our stockholders.

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

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

The terms of our senior credit facility and other indebtedness require us to comply with a number of customary financial and other covenants, such as covenants with respect to consolidated leverage, net worth and unencumbered assets. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. As of December 31, 2011, we had certain non-recourse, secured loans which are cross-collateralized by multiple properties. If we default on any of these loans we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. In addition, our senior credit facility contains certain cross-default provisions which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the senior credit facility in addition to any mortgage or other debt that is in default. If our properties were foreclosed upon, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

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

Some of our financing arrangements require us to make a lump-sum or balloon payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional

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

High interest rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire and the amount of cash distributions we can make.

If debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance such debt when the loans come due or of being unable to refinance such debt on favorable terms. If interest rates are higher when we refinance such debt, our income could be reduced. We may be unable to refinance such debt at appropriate times, which may require us to sell properties on terms that are not advantageous to us or could result in the foreclosure of such properties. If any of these events occur, our cash flows would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money.

Our hedging strategies may not be successful in mitigating our risks associated with interest rates and could reduce the overall returns on investment in our common stock.

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. These instruments involve risks, such as the risk that the counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such agreements are not legally enforceable. These instruments may also generate income that may not be treated as qualifying REIT income for purposes of the 75% or 95% REIT income tests. In addition, the nature and timing of hedging transactions may influence the effectiveness of our hedging strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. Moreover, hedging strategies involve transaction and other costs. We cannot assure our stockholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses that may reduce the overall return on investment in our common stock.

RISKS RELATED TO OUR CORPORATE STRUCTURE

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

Our charter contains a 9.8% ownership limit.

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

We could authorize and issue stock without stockholder approval.

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

Majority stockholder vote may discourage changes of control.

If declared advisable by our board of directors, our stockholders may take some actions, including approving amendments to our charter, by a vote of a majority or, in certain circumstances, two thirds of the shares outstanding and entitled to vote. If approved by the holders of the appropriate number of shares, all actions taken would be binding on all of our stockholders. Some of these provisions may discourage or make it more difficult for another party to acquire control of us or to effect a change in our operations.

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

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

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter would require the recommendation of our board of directors and impose special appraisal rights and special stockholder voting requirements on these combinations; and

- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of Maryland law with respect to any person, provided, in the case of business combinations, that the business combination is first approved by our board of directors. However, our board of directors may opt in to the business combination provisions and the control share provisions of Maryland law in the future.

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

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

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

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

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

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

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

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

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

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

our directors and officers.

RISKS RELATED TO OUR COMMON STOCK

Our distributions to stockholders may change.

Distributions will be authorized and determined by our board of directors in its sole discretion from time to time and will depend upon a number of factors, including:

- cash available for distribution;
- our results of operations;
- our financial condition, especially in relation to our anticipated future capital needs of our properties;
- the distribution requirements for REITs under the Code;
- our operating expenses; and
- other factors our board of directors deems relevant.

Consequently, we may not continue our current level of distributions to stockholders, and our distribution levels may fluctuate.

Future offerings of debt securities, which would be senior to our common stock upon liquidation, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred or common stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock or both. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their proportionate ownership.

FEDERAL INCOME TAX RISKS

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

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

certain relief provisions, then we may retain our status as a REIT but may be required to pay a penalty tax, which could be substantial.

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

To obtain the favorable tax treatment accorded to REITs, among other requirements, we normally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and by excluding net capital gains. We may declare certain taxable dividends that are payable in our stock. Under the Internal Revenue Service, or IRS, Revenue Procedure 2010-12, up to 90% of any such taxable dividend for taxable years ending on or before December 31, 2011 could be payable in shares of our common stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the shares of common stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time

of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in shares of our common stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in

order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. We will be subject to federal income tax on our undistributed taxable income and net capital gain. In addition, if we fail to distribute during each calendar year at least the sum of (a) 85% of our ordinary income for such year, (b) 95% of our capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the sum of (i) the amounts actually distributed by us, plus (ii) retained amounts on which we pay income tax at the corporate level. We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate income tax obligation. However, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis or partially pay dividends in shares of our commons stock to meet the distribution requirements of the Code. Certain types of assets generate substantial mismatches between taxable income and available cash. Such assets include rental real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, in order to comply with REIT requirements. Further, amounts distributed will not be available to fund our operations.

Legislative or regulatory action could adversely affect our stockholders.

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

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

Tax legislation enacted in 2006 and 2010 generally reduces the maximum tax rate for distributions payable by corporations to individuals to 15% through December 31, 2012. Distributions payable by REITs, however, generally continue to be taxed at the normal rate applicable to the individual recipient rather than the 15% preferential rate. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate distributions could cause investors who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stocks of

non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock. It is not yet clear whether the reduced rate will be extended beyond 2012 and if so, at what rate.

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

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

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

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

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

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

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

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

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

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

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

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

for U.S. federal income tax purposes if it is a publicly-traded partnership and the amount of any such carried interest revenue plus any other non-qualifying income earned by our operating partnership exceeds 10% of its gross income in any taxable year.

ITEM1 B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Geographic Distribution

The following table describes the geographic diversification of our consolidated properties as of December 31, 2011.

Markets	Number of Buildings	Percent Owned [1]	Square Feet (in thousands)	Occupancy Percentage[2]	Annualized Base Rent[3] (in thousands)	Percentage of Total Annualized Base Rent
Operating Properties:						
Atlanta	52	100.0%	6,592	95.3%	$ 19,318	9.8%
Baltimore/Washington D.C.	17	100.0%	2,057	87.6%	9,185	4.7%
Central Pennsylvania	8	100.0%	1,453	74.0%	4,282	2.2%
Charlotte	1	100.0%	80	0.0%		0.0%
Chicago	19	100.0%	3,570	97.5%	10,436	5.3%
Cincinnati	32	100.0%	4,491	86.9%	12,031	6.1%
Columbus	14	100.0%	4,301	84.6%	9,505	4.8%
Dallas [4]	46	100.0%	4,288	84.9%	13,998	7.1%
Denver	2	100.0%	278	100.0%	1,247	0.6%
Houston	49	100.0%	3,414	96.4%	17,462	8.8%
Indianapolis	7	100.0%	2,299	99.2%	6,938	3.5%
Louisville	4	100.0%	1,330	99.3%	4,195	2.1%
Memphis	11	100.0%	5,218	97.8%	13,871	7.0%
Mexico	15	100.0%	1,653	93.3%	6,472	3.3%
Miami	6	100.0%	762	94.0%	4,972	2.5%
Nashville	4	100.0%	1,839	77.0%	3,253	1.6%
New Jersey	12	100.0%	1,669	79.3%	7,161	3.6%
Northern California	25	100.0%	2,784	87.2%	13,835	7.0%
Orlando	20	100.0%	1,864	79.9%	5,704	2.9%
Phoenix	14	100.0%	1,718	83.0%	4,989	2.5%
San Antonio	13	100.0%	1,176	97.8%	3,868	2.0%
Seattle	9	100.0%	1,421	86.3%	5,607	2.9%
Southern California	28	89.0%	3,842	99.2%	18,992	9.6%
Total/weighted average operating properties	408	99.3%	58,099	90.6%	197,321	99.9%
CONSOLIDATED REDEVELOPMENT PROPERTIES:						
Chicago	1	100.0%	156	78.7%	100	0.1 %
Total/weighted average redevelopment properties	1	100.0%	156	78.7%	100	0.1 %
Total/weighted average consolidated properties	409	99.3%	58,255	90.5%	$ 197,421	100.0%

(1) Percent owned is based on ownership weighted by square footage.

(2) Based on leases commenced as of December 31, 2011.

(3) Annualized Base Rent is calculated as monthly contractual base rent (cash basis) per the terms of the lease, as of December 31, 2011, multiplied by 12.

(4) Three of our buildings in this market totaling approximately 0.7 million square feet are subject to ground leases.

Occasionally our leases contain provisions giving the tenant rights to purchase the property, which can take the form of a fixed price purchase option, a fair market value option, a right of first refusal option or a right of first offer option. The following chart summarizes such rights related to our consolidated operating properties as of December 31, 2011.

	Number of Leases	Square Feet (in thousands)	Annualized Base Rent (in thousands)
Fixed Price Purchase Options	3	498	$ 1,912
Fair Market Value Options	5	572	$ 2,483
Right of First Refusal Options	5	920	$ 4,676
Right of First Offer Options	8	506	$ 3,052

The following table describes the geographic diversification of our investments in unconsolidated properties as of December 31, 2011.

Markets	Number of Buildings	Percent Owned[1]	Square Feet (in thousands)	Occupancy Percentage	Annualized Base Rent (in thousands)	Percentage of Total Annualized Base Rent
Operating Properties:						
IDI (Chicago, Nashville, Savannah)	3	50.0%	1,423	44.9%		
Southern California Logistics Airport[2]	6	50.0%	1,983	95.4%	3,632	7.8%
Total/weighted average	9	50.0%	3,406	74.3%	3,632	7.8%
Operating Properties in Co-Investment Ventures:						
Atlanta	2	17.2%	703	80.4%	1,391	3.0%
Central Pennsylvania	4	8.6%	1,210	96.7%	4,836	10.4%
Charlotte	1	4.4%	472	100.0%	1,510	3.3%
Chicago	4	18.1%	1,525	100.0%	6,009	13.0%
Cincinnati	4	15.6%	1,243	94.7%	3,761	8.1%
Columbus	2	6.3%	451	100.0%	1,318	2.8%
Dallas	4	16.8%	1,726	86.0%	4,914	10.6%
Denver	5	20.0%	773	89.3%	3,171	6.8%
Indianapolis	1	11.4%	475	100.0%	1,785	3.9%
Louisville	5	10.0%	900	100.0%	2,557	5.5%
Memphis	1	20.0%	1,039	74.1%	2,331	5.0%
Minneapolis	3	4.4%	472	100.0%	2,339	5.1%
Nashville	2	20.0%	1,020	44.7%	1,373	3.0%
New Jersey	2	10.7%	216	96.3%	968	2.1%
Northern California	1	4.4%	396	100.0%	1,758	3.8%
Orlando	2	20.0%	696	100.0%	2,688	5.8%
Total/weighted average fund operating properties	43	14.6%	13,317	89.4%	42,709	92.2%
Total/weighted average unconsolidated properties	52	21.8%	16,723	86.3%	$ 46,341	100.0%

(1) Percentage owned is based on ownership weighted by square footage, if applicable.

(2) 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.

Property Types

The following table reflects our consolidated portfolio by property type, in terms of square footage, as of December 31, 2011 (square feet in thousands).

	Bulk Distribution			Light Industrial			Service Center			Total Portfolio		
	Number of Buildings	Square Feet	Occ. % [1]	Number of Buildings	Square Feet	Occ. % [1]	Number of Buildings	Square Feet	Occ. % [1]	Number of Buildings	Square Feet	Occ. % [1]
Operating Properties	253	49,999	91.0%	113	6,614	89.8%	42	1,486	79.7%	408	58,099	90.6%
Properties Under Redevelopment				1	156	78.7%				1	156	78.7%
Total/Weighted Average	253	49,999	91.0%	114	6,770	89.5%	42	1,486	79.7%	409	58,255	90.5%

(1) Occupancy percentage is based on leases commenced as of December 31, 2011.

Lease Expirations

Our industrial properties are typically leased to tenants for terms ranging from 3 to 10 years with a weighted average remaining term of approximately 3.3 years as of December 31, 2011. Following is a schedule of expiring leases for our consolidated properties by square feet and by annualized minimum base rents as of December 31, 2011 and assuming no exercise of lease renewal options.

Year	Square Feet Related to Expiring Leases (in thousands)	Annualized Base Rent of Expiring Leases [1] (in thousands)	Percentage of Total Annualized Base Rent
2012 [2]	10,591	$ 40,551	20.3%
2013	8,986	38,535	19.2%
2014	8,218	31,882	15.9%
2015	6,936	25,319	12.7%
2016	6,527	25,222	12.6%
Thereafter	11,482	38,569	19.3%
Total occupied	52,740	$ 200,078	100.0%
Available or leased not occupied	5,515		
Total consolidated properties	58,255		

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

Customer Diversification

As of December 31, 2011, there were no customers that occupied more than 1.7% of our properties based on annualized base rent. The following table reflects our ten largest customers, based on annualized base rent as of December 31, 2011. These ten customers occupy a combined 6.2 million square feet of our consolidated properties.

Customer	Percentage of Annualized Base Rent
Deutsche Post World Net (DHL & Excel)	1.7%
CEVA Logistics	1.7%
Technicolor	1.3%
United Parcel Service (UPS)	1.3%
The Glidden Company	1.3%
YRC, LLC	1.2%
United Stationers Supply Company	1.2%
Crayola LLC	1.1%
The Dial Corporation	1.0%
Ozburn-Hessey Logistics, LLC	1.0%
Total	12.8%

Although base rent is supported by long-term lease contracts, tenants who file bankruptcy have the legal right to reject any or all of their leases. In the event that a tenant with a significant number of leases in our properties files bankruptcy and cancels its leases, we could experience a reduction in our revenues and tenant receivables.

Reports have indicated that the parent company, YRC Worldwide, Inc., of one of our top ten tenants, YRC, LLC has encountered financial difficulties and therefore has the potential to file for bankruptcy. YRC, LLC currently leases three truck terminals in infill locations of Los Angeles, at below market rents totaling $13.7 million, net of accumulated amortization as of December 31, 2011. YRC, LLC has paid all rents due and has no balances outstanding through December 31, 2011.

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

Industry Diversification

The table below illustrates the diversification of our consolidated portfolio by the industry classification of our tenants as of December 31, 2011, (dollar amounts in thousands).

	Number of Leases	Annualized Base Rent	Percentage of Total Annualized Base Rent	Occupied Square Feet (in thousands)	Percentage of Total Occupied Square Feet
Manufacturing	283	$ 65,961	33.4%	18,111	34.4%
Wholesale Trade	268	46,611	23.6%	11,879	22.5%
Transportation and Warehousing	122	28,730	14.6%	8,340	15.8%
Retail Trade	93	20,267	10.2%	5,705	10.8%
Professional, Scientific and Technical Services	49	8,490	4.3%	1,715	3.3%
Administrative Support and Waste Management Services	63	7,017	3.5%	1,917	3.6%
Media and Information	18	4,848	2.5%	1,593	3.0%
Construction	39	3,729	1.9%	858	1.6%
Rental Companies	19	3,368	1.7%	999	1.9%
Other	73	8,400	4.3%	1,623	3.1%
Total	1,027	$ 197,421	100.0%	52,740	100.0%

Indebtedness

As of December 31, 2011, 97 of our 409 consolidated properties, with a combined gross book value of $735.1 million were encumbered by mortgage indebtedness totaling $311.3 million (excluding net premiums). See Notes to Consolidated Financial Statements, Note 5 Outstanding Indebtedness and the accompanying Schedule III beginning on page F-45 for additional information.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

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

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

Quarter ended in 2011:	High	Low
December 31	$ 5.22	$ 3.88
September 30	$ 5.61	$ 3.96
June 30	$ 5.89	$ 4.88
March 31	$ 5.89	$ 5.02

Quarter ended in 2010:	High	Low
December 31	$ 5.49	$ 4.57
September 30	$ 5.07	$ 4.07
June 30	$ 5.71	$ 4.29
March 31	$ 5.73	$ 4.45

On February 17, 2012 the closing price of our Common Stock was $5.71 share, as reported on the NYSE and there were 247,088,176 shares of Common Stock outstanding, held by approximately 2,522 stockholders of record. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

Distribution Policy

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

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

We anticipate that, for U.S. federal income tax purposes, distributions (including certain part cash, part stock distributions) generally will be taxable to our stockholders as ordinary income, although some portion of our distributions may constitute qualified dividend income, capital gains or a return of capital.

The following table sets forth the distributions that have been declared by our board of directors on our Common Stock during the fiscal years ended December 31, 2011 and 2010.

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

Amount Declared During Quarter Ended in 2010:	Per Share	Date Paid
December 31	$ 0.07	January 13, 2011
September 30	0.07	October 14, 2010
June 30	0.07	July 15, 2010
March 31	0.07	April 15, 2010
Total 2010	$ 0.28	

Performance Graph

The graph below shows a comparison of cumulative total stockholder returns for DCT Industrial Trust Inc. Common Stock with the cumulative total return on the Standard and Poor s 500 Index, the MSCI US REIT Index, and the FTSE NAREIT Equity Industrial Index. The MSCI US REIT Index represents performance of publicly traded REITs while the FTSE NAREIT Equity Industrial Index represents only the performance of our publicly traded industrial REIT peers. Stockholders returns over the indicated period are based on historical data and should not be considered indicative of future stockholder returns.

	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
DCT Industrial Trust Inc.	$ 100.00	$ 83.73	$ 49.02	$ 52.07	$ 58.31	$ 59.43
S&P 500®	$ 100.00	$ 105.49	$ 66.46	$ 84.05	$ 96.71	$ 98.76
MSCI US REIT Index	$ 100.00	$ 83.18	$ 51.60	$ 66.36	$ 85.26	$ 92.67
FTSE NAREIT Equity Industrial Index	$ 100.00	$ 100.38	$ 32.66	$ 36.63	$ 39.62	$ 41.37

Note: The graph covers the period from December 31, 2006 to December 31, 2011 and assumes that $100 was invested in DCT Industrial Trust Inc. Common Stock and in each index on December 31, 2006 and that all dividends were reinvested.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data relating to our historical financial condition and results of operations for the years ended December 31, 2011, 2010, 2009, 2008 and 2007. Certain amounts presented for the periods ended December 31, 2010, 2009, 2008 and 2007 have been reclassified to conform to the 2011 presentation. The financial data in the table should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and related notes in Item 8. Financial Statements and Supplementary Data.

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
	(amounts in thousands, except per share data and building count)				
Operating Data:					
Rental revenues	$ 249,158	$ 225,699	$ 229,797	$ 232,504	$ 231,006
Total revenues	$ 253,449	$ 229,832	$ 232,498	$ 235,428	$ 233,877
Rental expenses and real estate taxes	$ (70,417)	$ (67,304)	$ (64,838)	$ (61,907)	$ (57,960)
Total operating expenses	$ (221,001)	$ (211,595)	$ (198,945)	$ (192,691)	$ (181,768)
Loss from continuing operations	$ (36,456)	$ (42,469)	$ (26,456)	$ (16,061)	$ (3,965)
Income (loss) from discontinued operations	$ 7,613	$ (597)	$ 4,742	$ 22,293	$ 17,268
Gain on dispositions of real estate interests	$	$ 13	$ 5	$ 503	$ 30,748
Net income (loss) attributable to common stockholders	$ (25,250)	$ (37,830)	$ (18,585)	$ 9,486	$ 40,112
Earnings per Common Share Basic and Diluted:					
Income (loss) from continuing operations	$ (0.14)	$ (0.18)	$ (0.12)	$ (0.10)	$ 0.12
Income (loss) from discontinued operations	0.03	(0.00)	0.02	0.15	0.12
Net income (loss) attributable to common stockholders	$ (0.11)	$ (0.18)	$ (0.10)	$ 0.05	$ 0.24
Weighted average common shares outstanding, basic and diluted	242,591	212,412	192,900	171,695	168,359
Amounts Attributable to Common Stockholders:					
Income (loss) from continuing operations [1]	$ (32,145)	$ (37,300)	$ (22,676)	$ (17,512)	$ 19,567
Income (loss) from discontinued operations	6,895	(530)	4,091	26,998	20,545
Net income (loss) attributable to common stockholders	$ (25,250)	$ (37,830)	$ (18,585)	$ 9,486	$ 40,112
Common Share Distributions:					
Common share cash distributions, declared	$ 68,789	$ 60,110	$ 59,364	$ 96,223	$ 107,618
Common share cash distributions, declared per share	$ 0.28	$ 0.28	$ 0.30	$ 0.56	$ 0.64
Other Data:					
Consolidated operating square feet	58,099	56,652	52,910	51,209	50,364
Consolidated operating buildings	408	390	375	370	364
Total consolidated buildings	409	398	394	391	397

(See footnotes definitions beginning on page 39)

	As of and For the Years Ended December 31,				
	2011	2010	2009	2008	2007
	(dollar amounts in thousands, except per share data)				
Balance Sheet Data:					
Net investment in real estate	$ 2,711,027	$ 2,647,186	$ 2,576,410	$ 2,605,909	$ 2,674,965
Total assets	$ 2,793,298	$ 2,719,889	$ 2,664,292	$ 2,703,843	$ 2,778,992
Senior Unsecured Notes	$ 935,000	$ 786,000	$ 625,000	$ 625,000	$ 507,000
Mortgage notes	$ 317,783	$ 425,359	$ 511,715	$ 574,634	$ 649,568
Total liabilities	$ 1,389,183	$ 1,319,051	$ 1,220,659	$ 1,302,343	$ 1,266,538
Cash Flow Data:					
Net cash provided by operating activities	$ 106,966	$ 91,002	$ 109,749	$ 128,349	$ 116,949
Net cash used in investing activities	$ (178,307)	$ (138,334)	$ (17,673)	$ (42,317)	$ (3,670)
Net cash provided by (used in) financing activities	$ 66,845	$ 45,542	$ (92,637)	$ (96,832)	$ (106,108)
Funds From Operations[2]:					
Net income (loss) attributable to common stockholders	$ (25,250)	$ (37,830)	$ (18,585)	$ 9,486	$ 40,112
Adjustments:					
Real estate related depreciation and amortization	128,989	115,904	111,250	119,604	115,465
Equity in (income) loss of unconsolidated joint ventures, net	2,556	2,986	(2,698)	(2,267)	(433)
Equity in FFO of unconsolidated joint ventures	4,732	4,001	11,807	6,806	2,742
Loss on business combinations		395	10,325		
Impairment losses on depreciable real estate	10,160	8,012	681	6,014	
Gain on dispositions of real estate interests	(12,030)	(2,091)	(1,354)	(21,991)	(42,873)
Gain on dispositions of non-depreciable real estate		13	783	219	15,135
Noncontrolling interest in the operating partnership s share of the above adjustments	(14,252)	(13,426)	(17,907)	(17,664)	(14,711)
FFO attributable to unitholders	9,901	8,678	14,881	19,795	22,180
FFO attributable to common stockholders and unitholders basic and diluted	104,806	86,642	109,183	120,002	137,617
Adjustments:					
Impairment losses on non-depreciable real estate		3,992	300	4,732	
Debt modification costs		1,136			
Acquisition costs	1,902	1,228			
FFO, as adjusted, attributable to common stockholders and unitholders, basic and diluted [2]:	$ 106,708	$ 92,998	$ 109,483	$ 124,734	$ 137,617
FFO per common share and unit basic and diluted	$ 0.39	$ 0.36	$ 0.48	$ 0.58	$ 0.68
FFO as adjusted, per common share and unit basic and diluted[2][3]:	$ 0.40	$ 0.39	$ 0.49	$ 0.60	$ 0.68
FFO weighted average common shares and units outstanding:					
Common shares	242,591	212,412	192,900	171,695	168,358
Participating securities	1,601	1,689	1,535	1,106	688
Units	25,310	26,351	30,660	35,868	32,496
FFO weighted average common shares, participating securities and units outstanding basic:	269,502	240,452	225,095	208,669	201,542
Dilutive common stock equivalents	449	357	189	3	1
FFO weighted average common shares and units outstanding diluted:	269,951	240,809	225,284	208,672	201,543

(See footnotes definitions beginning on page 39)

The following table is a reconciliation of our property net operating income, or NOI, to our reported Loss From Continuing Operations for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 (in thousands):

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
Property NOI [4]	$ 178,741	$ 158,395	$ 164,959	$ 170,597	$ 173,046
Institutional capital management and other fees	4,291	4,133	2,701	2,924	2,871
Real estate related depreciation and amortization	(124,244)	(110,373)	(104,883)	(108,986)	(104,261)
Casualty gains	33				
Impairment losses	(448)	(8,656)		(4,314)	
General and administrative expenses	(25,925)	(25,262)	(29,224)	(21,799)	(19,547)
Equity in income (loss) of unconsolidated joint ventures, net	(2,556)	(2,986)	2,698	2,267	433
Loss on business combinations		(395)	(10,325)		
Impairment losses on investments in unconsolidated joint ventures	(1,953)	(216)	(300)	(4,733)	
Interest expense	(63,941)	(56,548)	(52,338)	(52,520)	(59,854)
Interest income and other income (expense)	(310)	357	1,918	1,258	4,666
Income tax expense and other taxes	(144)	(918)	(1,662)	(755)	(1,320)
Loss from continuing operations	$ (36,456)	$ (42,469)	$ (26,456)	$ (16,061)	$ (3,966)

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

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

common. Accordingly, our FFO may not be comparable to other REITs FFO and FFO should be considered only as a supplement to net income as a measure of our performance.

(3) NAREIT recently reiterated that under NAREIT s definition of FFO, impairment write-downs of depreciable real estate should be excluded in calculating NAREIT FFO. In addition, impairments of in substance real estate investments in investees that are driven by measureable decreases in the fair value of the depreciable real estate held by the unconsolidated joint ventures should be excluded in determining NAREIT FFO. Historically, we have added back impairments of depreciable real estate to NAREIT FFO in order to arrive at FFO, as adjusted.

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

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following discussion and analysis of results of operations and financial condition should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

Overview

DCT Industrial Trust Inc. is a leading industrial real estate company that owns, operates and develops high-quality bulk distribution and light industrial properties in high-volume distribution markets in the U.S. and Mexico. DCT is the sole general partner of, and as of December 31, 2011 owned an approximate 90% ownership interest in DCT Industrial Operating Partnership L.P., a Delaware limited partnership.

Our primary business objectives are to maximize long-term growth in Funds From Operations, or FFO, as defined on page 39, the net asset value of our portfolio and total shareholder returns. In our pursuit of these long-term objectives, we seek to:

- maximize cash flows from existing properties;
- deploy capital into high quality acquisitions or 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 in higher growth opportunities.

Outlook

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

Fundamentals for industrial real estate continue to modestly improve in response to general improvement in the economy. According to national statistics, net absorption (the net change in total occupied space) of industrial real estate turned positive in the second quarter of 2010 and national occupancy rates have increased each quarter since then. We expect moderate economic growth to continue throughout 2012, which should result in continued positive demand for warehouse space as companies expand their distribution and production platforms. Rental rates in our markets appeared to have bottomed and in a number of markets have begun to increase, although they do remain below peak levels. Consistent with recent experience and based on current market conditions, we expect average GAAP rental rates on most new leases signed to continue to decline in 2012 compared to the rates on expiring leases. However, these declines appear to be moderating. As positive net absorption of warehouse space continues and demand comes more into balance with supply, the rental rate environment should continue to improve. According to a national research company, average market rental rates nationally are expected to increase moderately in 2012 as vacancy rates drop below 10% of available supply.

Further, we continue to expect limited new development of speculative warehouse space until rental rates and other leasing fundamentals improve sufficiently to justify the risks and financial returns necessary for new construction or to obtain project financing. With limited new supply over the next several years, we expect that the operating environment will become increasingly favorable for landlords with meaningful improvement of rental and occupancy rates.

For DCT Industrial, we expect same store net operating income to be slightly higher in 2012 than it was in 2011. The benefit of higher occupancy in 2012 is expected to mostly offset the impact of continued negative GAAP releasing rent spreads.

In terms of capital investment, we will continue to pursue acquisitions of well-located distribution facilities at prices where we can apply our leasing experience and market knowledge to generate attractive returns. During

the year ended December 31, 2011, we acquired 24 buildings comprising 2.8 million square feet and controlling ownership interests in three buildings totaling 0.4 million square feet. We also acquired land totaling approximately 102.2 acres for future development. These properties, land and ownership interests were acquired for a total purchase price of approximately $222.6 million, including $9.8 million attributable to the noncontrolling interests share. We will also pursue the acquisition of land and consider selective development of new buildings in markets where we perceive demand and market rental rates will provide attractive financial returns.

As of December 31, 2011, we have $57.7 million of debt principal payments due during 2012, comprised of maturities of $50.0 million of fixed-rate secured borrowings and regularly scheduled principal amortization.

On August 1, 2011, we issued $225.0 million of senior unsecured notes. The proceeds were partially used to pay down borrowings under our senior unsecured revolving credit facility, with the remainder used to pay down expiring mortgage notes and for general corporate purposes. 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 shares, proceeds from asset sales or through additional borrowings. Please see Liquidity and Capital Resources for additional discussion.

Inflation

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

Summary of Significant Transactions

Significant transactions for the year ended December 31, 2011

Equity Offering

On February 18, 2011, we issued 21.9 million shares of common stock in a public offering at a price of $5.35 per share, for net proceeds of $111.9 million. We used the offering proceeds to repay outstanding indebtedness for general corporate purposes, including, the funding of acquisitions.

Debt Activity

In April 2011, we refinanced $50.0 million of maturing senior unsecured notes. The new fixed-rate notes bear interest of 5.43%, mature in April 2020 and require quarterly interest payments.

On June 3, 2011, we entered into a term loan agreement with a syndicate of 12 banks, pursuant to which we borrowed $175.0 million through a senior unsecured loan. The term loan is scheduled to mature on June 3, 2015 and may be prepaid in whole or in part at any time. The term loan agreement provides for a variable interest rate based on either the base rate under the agreement or LIBOR, at our election, plus a margin that is initially based on our leverage ratio. The margins on base rate loans initially may range from 0.80% to 1.65% per annum, and the margins on LIBOR-based loans may range from 1.80% to 2.65% per annum. We used the term loan, together with proceeds from a draw under our senior unsecured revolving credit facility, to repay our existing $200.0 million unsecured term loan that was scheduled to mature on June 6, 2011.

On June 3, 2011, we entered into an amendment to extend the maturity date of our $300.0 million senior unsecured revolving credit facility from August 19, 2013 until June 3, 2015. This amendment also increased the number of banks included on the facility from nine to twelve and reduced the interest rate payable to either 0.65% to 1.35% over prime or 1.65% to 2.35% over

LIBOR, per annum at our election, depending upon the Company s leverage ratio. The amendment

also provides us the ability, from time to time, to extend the size of the facility by up to an additional $200.0 million, to a total of $500.0 million, subject to lender commitments and certain other conditions.

On August 1, 2011, we issued $225.0 million of new fixed rate, senior unsecured notes through a private placement. These senior unsecured notes have a weighted average maturity of 8.5 years and a weighted average interest rate of 4.93%. The notes have maturities of 5, 7, 8, 10, 11 or 12 years. Proceeds from these notes were used to repay outstanding indebtedness and for general corporate use.

On November 4, 2011, we issued a non-recourse mortgage note for $20.0 million in connection with a property acquisition. The note bears interest of 4.25%, requires monthly payments of principal and interest and matures in December 2021.

During the year ended December 31, 2011, we assumed two non-recourse mortgage notes with outstanding balances of approximately $3.9 million and $3.4 million, respectively, in connection with two property acquisitions. The assumed notes bear interest at rates of 4.96% and 6.0%, respectively, and require monthly payments of principal and interest. The notes mature in August 2023 and April 2014, respectively.

During the year ended December 31, 2011, we retired $124.7 million of maturing mortgage notes which were repaid using proceeds from our senior unsecured revolving credit facility, our senior unsecured notes issued through the private placement and equity offering, as previously referenced.

Acquisitions

During the year ended December 31, 2011, we acquired 24 buildings comprising 2.8 million square feet and controlling ownership interests in three buildings totaling 0.4 million square feet. These properties and controlling interests were acquired for a total purchase price of approximately $196.9 million, including $9.8 million attributable to the noncontrolling interests share, using proceeds from our equity offering, proceeds from asset sales, proceeds from our private placement of senior unsecured notes, borrowings under our senior unsecured revolving credit facility, proceeds from a nonrecourse mortgage financing, issuance of OP units and existing cash balances.

Development

During 2011, we commenced construction on two buildings totaling 178,000 square feet in the Dulles Corridor submarket of Washington D.C. In addition, we entered into a forward purchase commitment with an unrelated third party to acquire a newly constructed industrial facility totaling 267,000 square feet in the Northwest submarket of Houston. We also acquired five land parcels which totaled approximately 102.2 acres for future development.

Dispositions

During the year ended December 31, 2011, we sold 16 operating properties totaling approximately 2.7 million square feet to third-parties. The properties were sold for combined gross proceeds of approximately $108.3 million, resulting in gains of $12.0 million and impairment losses totaling $7.8 million. See Notes to Consolidated Financial Statements Note 3 Investment in Properties and Note 15 Discontinued Operations for further information.

Significant Activity with Joint Ventures

During the year ended December 31, 2011, in our unconsolidated joint ventures we disposed of three properties in Cincinnati, Kansas City and Northern California for gross proceeds, net of joint venture partners interest, of $13.8 million. We recognized deferred gains upon disposition of these properties totaling $0.7 million.

Critical Accounting Estimates

General

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

Revenue Recognition

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

Tenant recovery income includes payments and amounts due from 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.

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

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

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.

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.

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 (VIE s) 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 loss.

We analyze our joint ventures in accordance with GAAP to determine whether they are VIE s 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 and the determination of whether the agreement constitutes a VIE includes complex models forecasting of the future expected cash flows, which affects the presentation of these investments in the Consolidated Financial Statements and, consequently, our financial position and results of operations.

Capitalization of Costs

We capitalize costs directly related to the development, predevelopment, redevelopment or improvement of our investment in real estate, referred to as capital projects and other activities included within this paragraph. Costs associated with our capital projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes, insurance and leasing costs, if appropriate. We capitalize indirect costs such as personnel, office, and administrative expenses that are directly related to our projects based on an estimate of the time spent on the construction or development. Costs incurred for maintaining and repairing our properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rates in effect during the period. We also capitalize interest on qualifying investments in unconsolidated joint ventures. Interest is capitalized based on the average capital invested in a venture during the period when development or predevelopment begins until planned principle operations commence, at our weighted average borrowing rates in effect during the period.

Fair Value

The Financial Accounting Standards Board (FASB) issued guidance related to accounting for fair value measurements which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the exit price or price at which an asset (in its highest and best use) would be sold or liability assumed by an informed market participant in a transaction that is not distressed and is executed in the most advantageous market. This guidance provides a framework of how to determine such measurements on reported balances which are required or permitted to be measured at fair value under existing accounting pronouncements and emphasizes that fair value is a market-based rather than an entity-specific measurement. Therefore, our fair value measurement is determined based on the assumptions that market participants would use to price the asset or liability. As a basis for considering market participant assumptions in fair value measurements, this guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals, and the contracted sales price for assets held for sale. Level 3 inputs are unobservable inputs for the asset or liability that are typically based on management s own assumptions, as there is little, if any, related observable market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Investment in Properties

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

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

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

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

Impairment of Properties

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

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

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

Investments in and Advances to Unconsolidated Joint Ventures

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

Investment properties that are contributed to unconsolidated joint ventures are not considered discontinued operations due to our continuing involvement through maintaining an ownership interest in these investment properties and continuing to act as manager of the assets. We recognize any gains from the contribution of investment properties into an unconsolidated joint venture if the recognition criteria have been met and the cash received is not required to be reinvested. Such gains are recognized to the extent of the outside ownership interest in the joint venture in our Consolidated Statements of Operations under the heading of Gain on dispositions of

real estate interests. Any gain related to the remaining proceeds reduces our basis in the investment in the unconsolidated joint venture, and is recognized into earnings over the weighted average life of the related property s real estate assets. We recognize our proportionate share of the ongoing earnings or losses of each unconsolidated joint venture in Equity in loss of unconsolidated joint ventures, net in our Consolidated Statements of Operations.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

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

Derivative Instruments and Hedging Activities

We record derivatives at fair value which are presented on a gross basis in Other Assets or Other Liabilities in our Consolidated Balance Sheets. 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. 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.

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

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

As of December 31, 2011, our hedge was designated as 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 Accumulated other comprehensive loss in our Consolidated Statements of Stockholders Equity, Comprehensive Income (Loss) and Noncontrolling Interests (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.

Our objective in using derivatives is to manage our exposure to interest rate volatility associated with our forecasted debt issuances including refinancing of our fixed-rate debt and certain variable rate borrowings. To accomplish this objective, we primarily use treasury locks, forward-starting swaps and interest rate swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited, pre-determined period of time.

Our agreements with each of our derivative counterparties contain provisions where if we default on the underlying indebtedness, including defaults where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations. We also have agreements with our derivative counterparties that incorporate the loan covenant provisions of our indebtedness with lender affiliates of the derivative counterparties. Failure to comply with the loan covenant provisions would cause us to be in default on any derivative instrument obligations covered by the agreements.

Stock-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 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. LTIP Unit awards granted under the Long Term Incentive Plan are valued on the grant date using a lattice-binomial option-pricing model based on a Monte Carlo simulation using assumptions for the volatility factor and risk-free interest rates. We use valuation experts in determining the fair value of LTIP Units granted.

Results of Operations

The following discussion is based on our Consolidated Financial Statements for the years ended December 31, 2011 and 2010.

Summary of the year ended December 31, 2011 compared to the year ended December 31, 2010

The Company owned interests in, managed or had under development approximately 75.5 million square feet of properties leased to approximately 900 customers, including 17.2 million square feet of unconsolidated properties on behalf of five institutional capital management joint venture partners. As of December 31, 2011, we consolidated 408 operating properties and one redevelopment property. As of December 31, 2010, we consolidated 390 operating properties, seven development properties and one redevelopment properties.

Comparison of the year ended December 31, 2011 to the year ended December 31, 2010

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income (loss) and other expenses for the year ended December 31, 2011 compared to the year ended December 31, 2010. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods for which the operations had been stabilized. Non-same store operating properties include properties not meeting the same-store criteria and exclude development and redevelopment properties. The same store portfolio for the periods presented totaled 351 operating properties and was comprised of 49.7 million square feet. A discussion of these changes follows the table (in thousands).

	Year Ended December 31,		
	2011	2010	$ Change
Rental Revenues			
Same store, excluding revenues related to early lease terminations	$ 215,725	$ 217,135	$ (1,410)
Non-same store operating properties	32,574	6,934	25,640
Development and redevelopment properties	235	964	(729)
Revenues related to early lease terminations	624	666	(42)
Total rental revenues	249,158	225,699	23,459
Rental Expenses and Real Estate Taxes			
Same store properties	61,619	62,712	(1,093)
Non-same store operating properties	8,541	3,115	5,426
Development and redevelopment properties	257	1,477	(1,220)
Total rental expenses and real estate taxes	70,417	67,304	3,113
Property Net Operating Income (1)			
Same store properties	154,106	154,423	(317)
Non-same store operating properties	24,033	3,819	20,214
Development and redevelopment properties	(22)	(513)	491
Revenues related to early lease terminations	624	666	(42)
Total property net operating income	178,741	158,395	20,346
Other Revenue and Other Income (Loss)			
Institutional capital management and other fees	4,291	4,133	158
Gain on dispositions of real estate interests		13	(13)
Equity in loss of unconsolidated joint ventures, net	(2,556)	(2,986)	430
Interest and other income (expense)	(310)	357	(667)
Casualty gain	33		33
Total other revenue and other income	1,458	1,517	(59)
Other Expenses			
Real estate related depreciation and amortization	124,244	110,373	13,871
Loss on business combinations		395	(395)
Interest expense	63,941	56,548	7,393
General and administrative	25,925	25,262	663
Impairment losses	2,401	8,872	(6,471)
Income tax (benefit) expense and other taxes	144	918	(774)
Total other expenses	216,655	202,368	14,287
Income (loss) from discontinued operations	7,613	(597)	8,210
Net loss attributable to noncontrolling interests	3,593	5,223	(1,630)

Net loss attributable to common stockholders	$ (25,250)	$ (37,830)	$ 12,580

(1) For a discussion as to why we view property net operating income to be an appropriate supplemental performance measure see Page 40, above. For a reconciliation of our property net operating income to our reported Loss From Continuing Operations , see Notes to Consolidated Financial Statements, Note 14 Segment Information.

Rental Revenues

Rental revenues, which is comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, early lease termination fees and other rental revenues, increased by approximately $23.5 million, or 10.4%, for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to the following:

- $25.6 million increase in our non-same store operating properties rental revenues, primarily driven by the net addition of 19 properties, which resulted from the acquisition of 27 properties and completion of development and redevelopment of eight properties, partially offset by disposition of 16 properties. Average occupancy of the non-same store properties increased during 2011 to 85.7% from 42.7% during 2010, which resulted in a significant increase in base rent; partially offset by

- $1.4 million decrease in our same store revenues due primarily to the following:

  - $2.0 million decrease in base rent resulting from decreased rental rates which more than offset an increase in average occupancy in our same store portfolio of 220 basis points to 89.0% for 2011; and

  - $0.8 million decrease related to a settlement with a tenant in liquidation which was recorded in 2010; partially offset by

  - $0.8 million increase in straight-line rent which is primarily related to increases in free rent periods; and

  - $0.6 million increase in revenues related to above market rent adjustments which have fully amortized; and

- $0.7 million decrease in rental revenues in our development and redevelopment portfolios as eight properties were placed into operation and whose results are included in our non-same store portfolio.

The following table illustrates the components of our consolidated rental revenues for the years ended December 31, 2011 and 2010 (in thousands).

	For the Years Ended December 31,		
	2011	2010	$ Change
Base rent	$ 187,853	$ 171,825	$ 16,028
Straight-line rent	9,274	6,008	3,266
Tenant recovery income	48,175	44,238	3,937
Other	3,232	2,962	270
Revenues related to early lease terminations	624	666	(42)
Total rental revenues	$ 249,158	$ 225,699	$ 23,459

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased by approximately $3.1 million, or 4.6%, for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to the following:

$4.2 million net increase in rental expenses and real estate taxes related to the properties acquired and development and redevelopment properties placed into operation; partially offset by

$1.1 million net decrease in rental expenses and real estate taxes in our same store portfolio, which was primarily driven by decreases in property taxes, repairs, maintenance and non-recoverable expenses, partially offset by increases in property insurance and utilities.

Other Revenue and Other Income (Loss)

Total other revenue and other income (loss) decreased by approximately $0.1 million, or 3.9%, for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to:

- $0.7 million decrease in interest and other income (expense), primarily as a result of an exchange rate loss from Mexico operations; and
- $0.4 million decrease in equity in loss of unconsolidated joint ventures primarily as a result of an increase in occupancy at two of our projects in unconsolidated development joint ventures partially offset by an increase in depreciation of properties as development became complete; partially offset by
- $0.2 million increase in institutional capital management and other fees as a result of a disposition fee earned on the sale of an unconsolidated joint venture property offset in part by lower asset management fees resulting from assets sold out of the ventures.

Other Expenses

Other expenses increased by approximately $14.3 million, or 7.1%, for the year ended December 31, 2011 as compared to the same period in 2010, primarily due to:

- $13.9 million increase in real estate depreciation and amortization expense resulting from real estate acquisitions and capital additions;
- $7.4 million increase in interest expense primarily related to higher interest rates on debt which has been refinanced and issued since 2010, as well as higher average debt balances in 2011; and
- $0.7 million increase in general and administrative expenses, primarily related to an increase in acquisition costs of approximately $0.7 million for the increased number of properties acquired during 2011; which are partially offset by
- $6.5 million decrease in impairments from a $2.0 million impairment loss recorded on one of our investments in unconsolidated joint ventures and a $0.4 million held for use impairment recorded in 2011 as compared to a $8.7 million impairment recorded on properties held for use and $0.2 million impairment loss on one of our investments in unconsolidated joint ventures recorded in 2010; and
- $1.2 million decrease in expenses related to a $0.4 million loss on a business combination in 2010 and a $0.8 million decrease in income tax expense in 2011, related to tax benefits recognized in 2011.

Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations increased $8.2 million during the year ended December 31, 2011 as compared to the same period in 2010, which is related to the disposition of 16 properties during 2011, which had income before casualty gains of $2.0 million, casualty gains of $1.3 million, gain on sales totaling $12.0 million and impairment losses of $7.8 million, as compared to the sale of eight properties in 2010, which had income of $0.8 million, gains of $2.1 million and impairment losses of $3.5 million.

Noncontrolling Interests

Net loss attributable to noncontrolling interests decreased by approximately $1.6 million, or 31.2%, during the year ended December 31, 2011 as compared to the same period in 2010, primarily related to a decrease of consolidated net loss period over period. We owned approximately 90.4% and 89.8% of our operating partnership as of December 31, 2011 and 2010, respectively. The change in ownership was primarily due to the equity offering in February 2011, see Notes to Consolidated Financial Statements, Note 9 Stockholders Equity for additional information),

partially offset by issuance of OP Units in connection with property acquisitions and redemption of OP Units (see Notes to Consolidated Financial Statements, Note 8 Noncontrolling Interests for additional information).

Summary of the year ended December 31, 2010 compared to the year ended December 31, 2009

As of December 31, 2010, we consolidated 390 operating properties, seven development properties and one redevelopment properties. As of December 31, 2009, we consolidated 375 operating properties, 15 development properties and four redevelopment properties.

Comparison of the year ended December 31, 2010 to the year ended December 31, 2009

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other revenue and other income and other expenses for the year ended December 31, 2010 compared to the year ended December 31, 2009. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods. The same store portfolio for the periods presented totaled 345 buildings comprised of approximately 47.8 million square feet. A discussion of these changes follows the table (in thousands).

	Year Ended December 31,		
	2010	2009	$ Change
Rental Revenues			
Same store, excluding revenues related to early lease terminations			
terminations	$ 208,841	$ 220,951	$ (12,110)
Non-same store operating properties	15,228	3,123	12,105
Development and redevelopment properties	964	3,646	(2,682)
Revenues related to early lease terminations	666	2,077	(1,411)
Total rental revenues	225,699	229,797	(4,098)
Rental Expenses and Real Estate Taxes			
Same store properties	61,239	62,140	(901)
Non-same store operating properties	4,588	717	3,871
Development and redevelopment properties	1,477	1,981	(504)
Total rental expenses and real estate taxes	67,304	64,838	2,466
Property Net Operating Income [(1)]			
Same store properties	147,602	158,811	(11,209)
Non-same store operating properties	10,640	2,406	8,234
Development and redevelopment properties	(513)	1,665	(2,178)
Revenues related to early lease terminations	666	2,077	(1,411)
Total property net operating income	158,395	164,959	(6,564)
Other Revenue and Other Income (Loss)			
Institutional capital management and other fees	4,133	2,701	1,432
Gain on dispositions of real estate interests	13	5	8
Equity in income of unconsolidated joint ventures, net	(2,986)	2,698	(5,684)
Interest and other income	357	1,918	(1,561)
Total other revenue and other income	1,517	7,322	(5,805)
Other Expenses			
Real estate related depreciation and amortization	110,373	104,883	5,490
Loss on business combinations	395	10,325	(9,930)
Interest expense	56,548	52,338	4,210
General and administrative	25,262	29,224	(3,962)
Impairment losses	8,872	300	8,572

Income tax expense and other taxes	918	1,662	(744)
Total other expenses	202,368	198,732	3,636
Income (loss) from discontinued operations	(597)	4,742	(5,339)
Net loss attributable to noncontrolling interests	5,223	3,124	2,099
Net income (loss) attributable to noncontrolling interests	$ (37,830)	$ (18,585)	$ (19,245)

(1) For a discussion as to why we view property net operating income to be an appropriate supplemental performance measure see Page 40, above. For a reconciliation of our property net operating income to our reported Loss From Continuing Operations , see Notes to Consolidated Financial Statements, Note 14 Segment Information.

Rental Revenues

Rental revenues which is comprised of base rent, straight-line rent, amortization of above and below market rent intangibles, tenant recovery income, early lease termination fees and other rental revenues, decreased by approximately $4.1 million, or 1.8%, for the year ended December 31, 2010 as compared to the same period in 2009, primarily due to the following:

- $12.1 million decrease in our same store revenues due primarily to the following:
  - a 250 basis point decrease in average occupancy of 86.3% in our same store portfolio in 2010 as compared to 88.8% in 2009, as well as decreases in rental rates, which resulted in a $12.8 million decrease of base rent;
  - $3.2 million decrease in operating expense recoveries;
  - $2.6 million increase in straight line rents, primarily related to increases in free rent periods;
  - $0.8 million increase related to a settlement of a tenant in liquidation recorded in 2010; and
  - $0.5 million increase in revenues related to above market rent adjustment which have fully amortized;
- $12.1 million increase in our non-same store operating properties rental revenues, primarily driven by the net addition of 13 properties, which resulted from the acquisition of 12 properties, completion of development and redevelopment of nine properties and disposition of eight properties;
- $2.7 million decrease in development and redevelopment properties as nine properties were placed into operation and whose results are included in our non-same store portfolio; and
- $1.4 million decrease in fees paid by tenants related to early terminations.

The following table illustrates the various components of our rental revenues for the years ended December 31, 2010 and 2009 (in thousands):

	For the Years Ended December 31,		$
	2010	2009	Change
Base rent	$ 171,825	$ 179,023	$ (7,198)
Straight-line rent	6,008	1,832	4,176
Tenant recovery income	44,238	45,731	(1,493)
Other	2,962	1,134	1,828
Revenues related to early lease terminations	666	2,077	(1,411)

Total rental revenues	$ 225,699	$ 229,797	$ (4,098)

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased by approximately $2.5 million, or 3.8%, for the year ended December 31, 2010 compared to the same period in 2009, primarily due to:

$3.4 million net increase in rental expenses and real estate taxes related to the properties acquired and development and redevelopment properties placed into operations; partially offset by

- $0.9 million net decrease in our rental expenses and real estate taxes in our same store portfolio, primarily driven by decreases in property taxes and lower bad debt expense.

Other Revenue and Other Income (Loss)

Total other revenue and other income (loss) decreased by approximately $5.8 million or 79.3% for the year ended December 31, 2010 as compared to the same period in 2009, primarily due to:

- $5.7 million decrease in equity in earnings on unconsolidated joint ventures primarily related to a $5.1 million land sale gain recognized in 2009 at the SCLA unconsolidated joint venture and an increase in our losses in unconsolidated joint ventures; and

- $1.6 million decrease interest and other income resulting from a decrease in interest income on notes paid off in 2010 and costs expensed in 2010 related to debt modifications that were not incurred in 2009; partially offset by

- $1.4 million increase in institutional capital management fees resulting from property management fees earned in 2010.

Other Expenses

Other expenses increased by approximately $3.6 million, or 1.8%, for the year ended December 31, 2010 as compared to the same period in 2009, primarily due to:

- $5.5 million increase in depreciation primarily related to real estate acquisitions, completed development and capital additions in 2010;

- $4.2 million increase in interest expense primarily resulting from a reduction of capitalized interest expense as we completed development activities on eight buildings;

- $8.6 million increase in impairment losses recorded on properties held for use in 2010; which were partially offset by

- $9.9 million decrease in loss on business combinations which occurred in 2009;

- $4.0 million decrease in general and administrative expenses related to a decrease in severance costs; and

- $0.7 million decrease in income taxes related to activity in our taxable REIT subsidiary associated with income taxes on the land sale gain in 2009.

Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations decreased by $5.3 million during the year ended December 31, 2010 as compared to the same period in 2009, which is related to the disposition of eight properties during 2010, which had income of $0.8 million, gains of $2.1 million and impairment losses of $3.5 million, as compared to the sale of three properties in 2009, which had income of $4.1 million, gains of $1.3 million and impairment losses of $0.7 million.

Noncontrolling Interests

Net loss attributable to noncontrolling interests increased by approximately $2.1 million due to an increase in consolidated net loss, period over period, and an increase of 2% in our ownership of the operating partnership. We owned approximately 90% and 88% of our operating

partnership as of December 31, 2010 and 2009, respectively. The change in ownership was primarily due to redemption of OP Units (see Notes to Consolidated Financial Statements, Note 8 Noncontrolling Interests for additional information).

Segment Summary for the years ended December 31, 2011, 2010 and 2009

During 2011, management reorganized internal reporting whereby the operating results used to assess performance were aggregated into three reportable segments, East, Central and West, which are based on the geographical locations of our properties. This change aligns the markets by which management and their operating teams conduct and monitor business (see further detail on our Segment reorganization in Notes to the Consolidated Financial Statements, Note 14 Segment Information). Management considers rental revenues and property net operating income aggregated by segment to be the appropriate way to analyze performance.

The following table illustrates the changes in our consolidated operating properties in continuing operations by segment as of, and for the years ended, December 31, 2011 compared to December 31, 2010 and December 31, 2009, respectively (dollar amounts and square feet in thousands).

As of and for the year ended December 31,	Number of buildings	Square feet	Occupancy at period end (%)	Segment assets ($)[1]	Rental revenues($)[2]	Property net operating income($)[3]
EAST:						
2011	131	21,534	89.2 %	$ 913,867	$ 89,486	$ 65,215
2010	119	20,156	89.7 %	$ 912,977	$ 79,255	$ 57,262
2009	112	18,442	87.3 %	$ 860,601	$ 75,619	$ 55,049
CENTRAL:						
2011	201	26,800	91.5 %	$ 1,020,650	$ 105,643	$ 73,247
2010	188	25,398	88.3 %	$ 1,008,298	$ 103,081	$ 71,940
2009	181	24,146	87.9 %	$ 984,689	$ 105,746	$ 74,751
WEST:						
2011	76	9,764	91.1 %	$ 631,370	$ 53,794	$ 40,301
2010	67	8,431	90.6 %	$ 551,594	$ 42,399	$ 29,706
2009	58	7,121	90.4 %	$ 460,918	$ 44,728	$ 33,436

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

(2) Segment rental revenues include operating properties only. Revenues from development properties and properties which were sold during the period are not included in these results.

(3) Property net operating income, or property NOI, is defined in Item 6. Selected Financial Data . For a reconciliation of our property net operating income to our reported Income (Loss) from Continuing Operations, see Notes to Consolidated Financial Statements, Note 14 Segment Information.

East Segment

East Segment property NOI increased approximately $8.0 million, for the year ended December 31, 2011 as compared to the same period in 2010 primarily as a result of:

$10.2 million increase in rental revenues as a result of the acquisition of seven operating properties and completion of development of five properties which were placed into operations since December 31, 2010; partially offset by

$2.2 million increase in operating expenses, primarily as a result of an increase in property taxes and insurance.

East Segment property NOI increased approximately $2.2 million, for the year ended December 31, 2010 as compared to the same period in 2009 primarily as a result of:

$3.6 million increase in rental revenues as a result of the acquisition of five operating properties and completion of development of two properties which were placed into operations since December 31, 2009; partially offset by

- $1.4 million increase in operating expenses, primarily as a result of an increase in property taxes.

Central Segment

Central Segment property NOI increased approximately $1.3 million, for the year ended December 31, 2011 as compared to the same period in 2010 primarily as a result of:

- $2.6 million increase in rental revenues resulting primarily from:
  - the acquisition of ten operating properties and completion of development of three properties which were placed into operations since December 31, 2010; and
  - 320 basis point increase in period end occupancy to 91.5% for the year ended December 31, 2011 as compared to 2010; partially offset by
  - $0.8 million decrease related to a settlement of a tenant in liquidation which was recorded in 2010.
- $1.3 million increase in operating expenses, including a 7.3% increase in property taxes.

Central Segment property NOI decreased approximately $2.8 million, for the year ended December 31, 2010 as compared to the same period in 2009 primarily as a result of:

- $3.5 million decrease in rental revenues, despite the addition of seven properties, two from acquisitions and five properties on which development was completed since December 31, 2009, mainly as a result of a 5.1% decrease in base rent period over period; and
- $0.1 million increase in operating expenses, primarily related to an increase in non-recoverable expenses; partially offset by
- $0.8 million increase related to a settlement of a tenant in liquidation recorded in 2010.

West Segment

West Segment property NOI increased approximately $10.6 million for year ended December 31, 2011 as compared to the same period in 2010 primarily as a result of:

- $11.4 million increase in rental revenues as a result of the acquisition of nine operating properties since December 31, 2010; and
- $0.8 million increase in operating expenses, primarily related to an increase in maintenance costs and insurance.

West Segment property NOI decreased approximately $3.7 million for the year ended December 31, 2010 as compared to the same period in 2009 primarily as a result of:

- $2.3 million decrease in rental revenues, despite the addition of nine properties, eight from acquisitions and one property on which development was completed since December 31, 2009, mainly as a result of a 5.8% decrease in base rent period over period; and

$1.4 million increase in operating expenses, primarily resulting from an increase in property taxes and insurance as a result of property additions.

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

	December 31, 2011	December 31, 2010	December 31, 2009
Segments:			
East	$ 913,867	$ 912,977	$ 860,601
Central	1,020,650	1,008,298	984,689
West	631,370	551,594	460,918
Total segment assets[1]	2,565,887	2,472,869	2,306,208
Non-segment assets:			
Development and redevelopment assets	13,993	57,076	177,217
Properties in pre-development including land held	47,972	24,664	24,577
Non-segment cash and cash equivalents	11,624	14,071	19,967
Other non-segment assets [2]	153,822	151,209	136,323
Total Assets	$ 2,793,298	$ 2,719,889	$ 2,664,292

(1) Total segment assets include all assets held by operating properties included in a segment, less non-segment cash and cash equivalents.

(2) Other non-segment assets primarily consists of corporate assets including investments in and advances to unconsolidated joint ventures, notes receivable, deferred loan costs, straight-line rent and other receivables and other assets.

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 capital recycling, including dispositions and asset contributions;
- Borrowings under our senior unsecured revolving credit facility;
- Other forms of secured or unsecured financings;
- Offerings of common stock or other securities;
- Current cash balances; and
- Distributions from institutional capital management and other joint ventures.

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

Cash Flows

Year ended December 31, 2011 compared to year ended December 31, 2010

Cash and cash equivalents were $12.8 million and $17.3 million as of December 31, 2011 and December 31, 2010, respectively. Net cash provided by operating activities increased by $16.0 million to $107.0 million during the year ended December 31, 2011 compared to $91.0 million during the same period in 2010. This change was

primarily due to an increase in property net operating income and a decrease in cash paid for accounts payable, accrued expenses and other liabilities during the periods.

Net cash used in investing activities increased $40.0 million to $178.3 million during the year ended December 31, 2011 compared to $138.3 million during the same period in 2010. This increase was primarily due to more acquisitions in 2011 than in 2010, which resulted in an increase in cash outflows for real estate acquisitions of $112.8 million. During 2011 there was also a $17.7 million increase in capital expenditures as well as a $17.7 million decrease in proceeds from repayment on notes receivable. These increases were partially offset by a $12.4 million decrease in contributions to unconsolidated joint ventures; a $87.1 million increase in proceeds from dispositions resulting from eight additional property dispositions in 2011 than in 2010; and a $12.4 million increase in distributions of investments in unconsolidated joint ventures resulting from the sale of three properties in our unconsolidated joint ventures.

Net cash provided by financing activities increased $21.3 million to $66.8 million during the year ended December 31, 2011 compared to $45.5 million during the same period in 2010. This change was primarily related to an increase of $90.0 million in net proceeds from issuance and repayments of senior unsecured notes; and an increase of $50.6 million in net proceeds from the issuance of common stock; partially offset by an increase of $102.0 million in net payments on the senior unsecured revolving line of credit; an increase of $9.1 million in net payments on mortgage notes; and an increase of $8.1 million in our dividends paid to common stockholders.

Year ended December 31, 2010 compared to year ended December 31, 2009

Cash and cash equivalents were $17.3 million as of December 31, 2010, which was a decrease of $1.8 million from our Cash and cash equivalents balance as of December 31, 2009. Net cash provided by operating activities decreased by $18.7 million to $91.0 million during the year ended December 31, 2010 compared to $109.7 million during the same period in 2009. This decrease was primarily due to an increase in the consolidated loss of DCT Industrial Trust Inc., which resulted from overall decreases in revenues, driven by lower rental rates, a decrease in average consolidated occupancy and increases in expenses.

Net cash used in investing activities increased by $120.6 million to $138.3 million during the year ended December 31, 2010 when compared to $17.7 million during the same period in 2009. This change was primarily due to a $74.1 million increase in expenditures on acquisitions of real estate; a $28.0 million increase in investments in unconsolidated joint ventures; a $11.4 million increase in capital expenditures; a $6.6 million decrease in distributions of investments in unconsolidated joint ventures; and a decrease of $9.6 million in proceeds from real estate dispositions; which were partially offset by a $5.5 million increase in repayments received on our notes receivable.

Net cash provided by (used in) financing activities increased $138.1 million to $45.5 million provided by financing activities during the year ended December 31, 2010 when compared to $(92.6) million used in financing activities during the same period in 2009. This change was primarily due to an increase in net draws on our line of credit of $51.0 million; and an increase of net issuances of senior unsecured notes totaling $110.0 million; which were partially offset by decrease in net payments of $23.1 million on mortgage notes; and a decrease of $56.5 million in proceeds from issuance of common stock.

Common Stock

As of December 31, 2011, approximately 245.9 million shares of common stock were issued and outstanding.

On February 18, 2011, we issued 21.9 million shares of common stock in a public offering at a price of $5.35 per share, for net proceeds of $111.9 million before offering expenses.

On March 23, 2010, we registered a continuous equity offering program. Pursuant to this offering program, we may sell up to 20 million shares of common stock from time-to-time through March 23, 2013 in at-the-market

offerings or certain other transactions. We did not issue any shares through this program during the year ended December 31, 2011. During the year ended December 31, 2010, we issued 12.6 million shares of common stock through this program and raised gross proceeds of $61.2 million. Our proceeds net of offering fees were $60.4 million. We used the proceeds from sale of shares for general corporate purposes, which included funding acquisitions and repaying debt. As of December 31, 2011, 7.4 million shares remain available to be issued under the program.

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

Dividend Reinvestment and Stock Purchase Plan

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

Distributions

During the years ended December 31, 2011 and 2010, our board of directors declared distributions to stockholders totaling approximately $76.8 million and $67.9 million, respectively, including distributions to OP unitholders. Existing cash balances, cash provided from operations and borrowings under our credit facility were used for distributions paid during 2011 and 2010.

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. During February 2012, our board of directors declared a quarterly cash dividend of $0.07 per share, payable on April 18, 2012 to stockholders of record as of April 6, 2012.

Outstanding Indebtedness

As of December 31, 2011, our outstanding indebtedness of $1.3 billion consisted of mortgage notes and senior unsecured notes, excluding $61.7 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2010, our outstanding indebtedness of $1.2 billion consisted of mortgage notes, senior unsecured notes and a senior unsecured revolving credit facility, excluding $62.3 million representing our proportionate share of debt associated with unconsolidated joint ventures. As of December 31, 2011, the gross book value of our consolidated properties was approximately $3.2 billion and the gross book value of all properties securing our mortgage debt was approximately $735.1 million. As of December 31, 2010, the total gross book value of our consolidated properties was approximately $3.0 billion and the gross book value of all properties securing our mortgage debt was approximately $1.0 billion. Our debt has various covenants with which we were in compliance as of December 31, 2011 and 2010.

Our debt instruments require monthly, quarterly or semiannual payments of interest and many require monthly or quarterly repayments of principal. Currently, cash flows from our operations are sufficient to satisfy these debt service requirements and we anticipate that cash flows from operations will continue to be sufficient to satisfy our debt service excluding principal maturities. During the years ended December 31, 2011 and 2010, our debt payments, including principal, interest and extinguishments, totaled $222.4 million and $383.9 million, respectively.

All of our senior unsecured notes contain certain cross-default provisions which may be triggered in the event that any material indebtedness is in default. These cross-default provisions may require us to repay such senior unsecured debt. We are not in default and do not have any unsecured debt maturities through December 31, 2012.

We have certain non-recourse, secured loans which are cross-collateralized by multiple properties. In the event of a default, we may then be required to repay such indebtedness, together with applicable prepayment charges, to avoid foreclosure on all cross-collateralized properties within the applicable pool. We generally have broad

substitution rights that afford DCT the opportunity to replace encumbered properties with replacement properties. We are not in default and do not have any cross-collateralized debt maturing through December 31, 2012.

In the event of default or foreclosure, or if we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flows and our financial condition would be adversely affected.

Financing Strategy

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

Debt Retirement and Refinancing

During the year ended December 31, 2011, we retired $124.7 million of maturing mortgage notes which were repaid using proceeds from the Company s senior unsecured revolving credit facility and with proceeds from our senior unsecured notes issued through a private placement discussed below.

In April 2011, we refinanced $50.0 million of maturing senior unsecured notes. The new fixed-rate notes bear interest of 5.43%, mature in April 2020 and require quarterly interest payments.

Debt Issuances

On June 3, 2011, we entered into a term loan agreement with a syndicate of twelve banks, pursuant to which we borrowed $175.0 million through a senior unsecured loan. The term loan is scheduled to mature on June 3, 2015 and may be prepaid in whole or in part at any time. The term loan agreement provides for a variable interest rate based on either the base rate under the agreement or LIBOR, at our election, plus a margin that is initially based on our leverage ratio. The margins on base rate loans initially may range from 0.80% to 1.65% per annum, and the margins on LIBOR-based loans may range from 1.80% to 2.65% per annum. This loan agreement has various covenants with which we are in compliance as of December 31, 2011. We used the term loan, together with proceeds from a draw under our senior unsecured revolving credit facility, to repay our unsecured term loan that was scheduled to mature on June 6, 2011.

On August 1, 2011 we issued $225.0 million of new fixed rate, senior unsecured notes through a private placement. These senior unsecured notes have a weighted average maturity of 8.5 years and a weighted average interest rate of 4.93%. The notes have maturities of 5, 7, 8, 10, 11 or 12 years. The notes and related purchase agreement contain various covenants with which we are in compliance with as of December 31, 2011. Proceeds from these notes were used to repay outstanding indebtedness and for general corporate purposes.

On November 4, 2011, we issued a non-recourse mortgage note for $20.0 million in connection with a property acquisition. The note bears interest at a rate of 4.25%, requires monthly payments of principal and interest and matures in December 2021.

Line of Credit

As of December 31, 2011, we did not have an outstanding balance on our senior unsecured revolving credit facility; however we have issued two letters of credit secured by the unsecured revolving credit facility totaling $9.8 million. As of December 31, 2010 we had $51.0 million outstanding on our senior unsecured revolving credit facility.

On June 3, 2011, we entered in an amendment to extend the maturity date of our $300.0 million senior unsecured revolving credit facility from August 19, 2013 until June 3, 2015. This amendment also increased the number of

banks included on the facility from nine to twelve and reduced the interest rate payable to either 0.65% to 1.35% over prime or 1.65% to 2.35% over LIBOR, per annum at our election, depending upon the Company s leverage ratio. The amendment also provides us the ability, from time to time, to extend the size of the facility by up to an additional $200.0 million, to a total of $500.0 million, subject to certain lender commitments and other conditions. We incurred a total of approximately $2.1 million in fees paid to the creditor and third-party costs which have been deferred and will be amortized over the life of the new credit facility. Proceeds from draws on the line have been used to repay mortgage notes and senior unsecured notes as they became due, to finance our property acquisitions and for general corporate purposes including payment of distributions. The senior unsecured revolving credit facility agreement contains various covenants with which we are in compliance with as of December 31, 2011.

Debt Assumption

During the year ended December 31, 2011, we assumed two non-recourse notes with outstanding balances of approximately $3.9 million and $3.4 million, respectively, in connection with two property acquisitions. The assumed notes bear interest at rates of 4.96% and 6.00%, respectively, and require monthly payments of principal and interest. The maturity dates of the assumed notes are August 2023 and April 2014, respectively.

Interest rate swap

As of December 31, 2011, we had one forward-starting swap in place to hedge the variability of cash flows associated with forecasted issuances of debt. This derivative has a notional value of $90.0 million, a LIBOR based swap strike rate of 5.43%, an effective date of June 2012 and a maturity date of September 2012. The associated counterparty is PNC Bank, NA. The fair value of the swap was a liability of approximately $26.7 million as of December 31, 2011.

Debt Maturities

The following table sets forth the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, as of December 31, 2011 (amounts in thousands).

Year	Senior Unsecured Notes	Mortgage Notes	Unsecured Credit Facility	Total
2012	$	$ 57,659	$	$ 57,659
2013	175,000	44,295		219,295
2014	50,000	9,975		59,975
2015	215,000	48,343		263,343
2016	99,000	5,724		104,724
Thereafter	396,000	149,196		545,196
Total	$ 935,000	$ 315,192	$	$ 1,250,192

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2011; specifically our obligations under long-term debt agreements, operating and ground lease agreements and purchase obligations (amounts in thousands):

		Payments due by Period			
Contractual Obligations [1]	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Scheduled long-term debt maturities, including interest[2]	$ 1,594,588	$ 122,352	$ 381,770	$ 442,652	$ 647,814
Operating lease commitments	2,955	656	1,274	995	30
Ground lease commitments[3]	13,733	474	963	1,088	11,208
Forward purchase commitments	12,353	12,353			
Total	$ 1,623,629	$ 135,835	$ 384,007	$ 444,735	$ 659,052

(1) From time-to-time in the normal course of our business, we enter into various contracts with third-parties that may obligate us to make payments, such as maintenance agreements at our properties. Such contracts, in the aggregate, do not represent material obligations, are typically short-term and cancellable within 90 days and are not included in the table above. Excluded from the total are our estimated construction costs to complete development projects of approximately $8.2 million, none of which is legally committed until work is completed.

(2) Variable interest rate payments are estimated based on the LIBOR rate at December 31, 2011.

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

Off-Balance Sheet Arrangements

As of December 31, 2011 and 2010, we had no off-balance sheet arrangements, other than those disclosed under contractual obligations, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors, other than items discussed herein.

As of December 31, 2011, 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.

As of December 31, 2011, our proportionate share of the total construction loans of our unconsolidated development joint ventures, including undrawn amounts, was $24.1 million; $13.5 million is scheduled to mature by the end of 2012 and $10.6 million is scheduled to mature by the end of 2013. Our proportionate share of the total construction loans of our unconsolidated development joint ventures includes 50% of the construction loans associated with the SCLA joint venture which are non-recourse to the venture partners.

We may elect to fund additional capital to a joint venture through equity contributions (generally on a basis proportionate to our ownership interests), advances or partner loans, although such fundings are not required contractually or otherwise. As of December 31, 2011, our proportionate share of non-recourse debt associated with unconsolidated joint ventures is $61.7 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
2012	$ 13,452
2013	17,168
2014	4,513
2015	2,560
2016	1,189
Thereafter	22,823
Total	$ 61,705

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Our exposure to market risk includes interest rate fluctuations in connection with our senior unsecured revolving credit facility and other variable rate borrowings and forecasted fixed rate debt issuances, including refinancing of existing fixed rate debt. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. To manage interest rate risk for variable rate debt and issuances of fixed rate debt, we primarily use 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. During the years ended December 31, 2011 and 2010, such derivatives were in place to hedge some of the variable cash flows associated with forecasted issuances of debt that are expected to occur during the period from 2010 through 2012, and to mitigate fluctuations in certain variable rate borrowings. 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. As of December 31, 2011, we had one forward-starting swap in place to hedge the variability of cash flows associated with forecasted issuances of debt. This derivative has a notional value of $90 million, a LIBOR based swap strike rate of 5.43%, an effective date of June 2012 and a maturity date of September 2012. The associated counterparty is PNC Bank, NA.

As of December 31, 2011 and 2010 the derivative had a fair value that resulted in a liability of $26.7 million and $10.1 million, respectively, included in Other liabilities in our Consolidated Balance Sheet. No ineffectiveness was recorded during the years ended December 31, 2011 and 2010.

The net liability associated with our derivative would increase approximately $1.0 million if the market interest rate of the referenced swap index were to decrease 10 basis points based upon the prevailing market rate as of December 31, 2011.

Similarly, our variable rate debt is subject to risk based upon prevailing market interest rates. As of December 31, 2011, we had approximately $175.0 million of variable rate debt outstanding indexed to LIBOR rates. If there was a 10% change in prevailing market interest rates relevant to our remaining variable rate debt, interest expense during the year ended December 31, 2011 would have increased by approximately $0.6 million. Additionally, if weighted average interest rates on our fixed rate debt were to have changed by 100 basis points due to refinancing, interest expense would have changed by approximately $9.9 million during the year ended December 31, 2011.

As of December 31, 2011, the estimated fair value of our debt was approximately $1.4 billion based on our estimate of the then-current market interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on Page 72 of this Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act, as of December 31, 2011, the end of the period covered by this annual report. Based on this evaluation, our management, including our principal executive officer and our principal financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2011 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. There was no change in our internal controls during the fiscal year ended December 31, 2011 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control over Financial Reporting

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

Our internal control over financial reporting is a process designed under the supervision of our principal executive officer and principal financial officer. During 2011, management conducted an assessment of the internal control over financial reporting reflected in the financial statements, based upon criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management s assessment, which included a comprehensive review of the design and operating effectiveness of our internal control over financial reporting, management has concluded that our internal control over financial reporting is effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, an independent registered public accounting firm. Their report appears below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

DCT Industrial Trust Inc. and subsidiaries:

We have audited DCT Industrial Trust Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity, comprehensive income (loss) and noncontrolling interests, and cash flows for each of the three years in the period ended December 31, 2011, and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 29, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERANCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2012 annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2012 annual meeting of stockholders.

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

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2012 annual meeting of stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2012 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES AND DIRECTOR INDEPENDENCE

The information required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2012 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A. Financial Statements and Financial Statement Schedules.

1. Financial Statements.

The Consolidated Financial Statements listed in the accompanying Index to Financial Statements on Page 72 are filed as a part of this report.

2. Financial Statement Schedules.

The financial statement schedule required by this Item is filed with this report and is listed in the accompanying Index to Financial Statements on Page 72. All other financial statement schedules are not applicable.

B. Exhibits.

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

SIGNATURES

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

DCT INDUSTRIAL TRUST INC.

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

Date: February 29, 2012

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

Signature	Title	Date
/s/ THOMAS G. WATTLES Thomas G. Wattles	Executive Chairman and Director	February 29, 2012
/s/ PHILIP L. HAWKINS Philip L. Hawkins	President, Chief Executive Officer and Director (Principal Executive Officer)	February 29, 2012
/s/ MATTHEW T. MURPHY Matthew T. Murphy	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 29, 2012
/s/ MARK SKOMAL Mark Skomal	Chief Accounting Officer (Principal Accounting Officer)	February 29, 2012
/s/ MARILYN A. ALEXANDER Marilyn A. Alexander	Director	February 29, 2012
/s/ THOMAS F. AUGUST Thomas F. August	Director	February 29, 2012
/s/ JOHN S. GATES, JR. John S. Gates, Jr.	Director	February 29, 2012
/s/ RAYMOND B. GREER Raymond B. Greer	Director	February 29, 2012
/s/ TRIPP H. HARDIN Tripp H. Hardin	Director	February 29, 2012
/s/ JOHN C. O KEEFFE John C. O Keeffe	Director	February 29, 2012
/s/ BRUCE L. WARWICK	Director	February 29, 2012

Bruce L. Warwick

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

DCT Industrial Trust Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders equity, comprehensive income (loss) and noncontrolling interests, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Denver, Colorado

February 29, 2012

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share information)

	December 31, 2011	December 31, 2010
ASSETS		
Land	$ 647,552	$ 567,152
Buildings and improvements	2,393,346	2,343,835
Intangible lease assets	84,779	93,497
Construction in progress	35,386	32,952
Total investment in properties	3,161,063	3,037,436
Less accumulated depreciation and amortization	(589,314)	(528,705)
Net investment in properties	2,571,749	2,508,731
Investments in and advances to unconsolidated joint ventures	139,278	138,455
Net investment in real estate	2,711,027	2,647,186
Cash and cash equivalents	12,834	17,330
Notes receivable	1,053	1,222
Deferred loan costs, net	8,567	5,883
Straight-line rent and other receivables, net of allowance for doubtful accounts of $1,256 and $2,088, respectively	42,349	33,278
Other assets, net	17,468	14,990
Total assets	$ 2,793,298	$ 2,719,889
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 45,785	$ 38,354
Distributions payable	19,057	17,458
Tenant prepaids and security deposits	22,864	20,759
Other liabilities	29,797	12,373
Intangible lease liability, net	18,897	18,748
Line of credit		51,000
Senior unsecured notes	935,000	735,000
Mortgage notes	317,783	425,359
Total liabilities	1,389,183	1,319,051
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, 350,000,000 shares authorized, 245,943,100 and 222,946,676 shares issued and outstanding as of December 31, 2011 and December 31, 2010, respectively	2,459	2,229
Additional paid-in capital	2,018,075	1,898,289
Distributions in excess of earnings	(783,229)	(689,127)
Accumulated other comprehensive loss	(29,336)	(15,289)
Total stockholders equity	1,207,969	1,196,102
Noncontrolling interests	196,146	204,736

Total equity	1,404,115	1,400,838
Total liabilities and equity	$ 2,793,298	$ 2,719,889

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per share information)

	For the year ended December 31, 2011	2010	2009
REVENUES:			
Rental revenues	$ 249,158	$ 225,699	$ 229,797
Institutional capital management and other fees	4,291	4,133	2,701
Total revenues	253,449	229,832	232,498
OPERATING EXPENSES:			
Rental expenses	34,217	32,389	31,429
Real estate taxes	36,200	34,915	33,409
Real estate related depreciation and amortization	124,244	110,373	104,883
General and administrative	25,925	25,262	29,224
Impairment losses	448	8,656	
Casualty gains	(33)		
Total operating expenses	221,001	211,595	198,945
Operating income	32,448	18,237	33,553
OTHER INCOME AND EXPENSE:			
Equity in income (loss) of unconsolidated joint ventures, net	(2,556)	(2,986)	2,698
Impairment losses from investments in unconsolidated joint ventures	(1,953)	(216)	(300)
Loss on business combinations		(395)	(10,325)
Interest expense	(63,941)	(56,548)	(52,338)
Interest and other income (expense)	(310)	357	1,918
Income tax expense and other taxes	(144)	(918)	(1,662)
Loss from continuing operations	(36,456)	(42,469)	(26,456)
Income (loss) from discontinued operations	7,613	(597)	4,742
Loss before gain on dispositions of real estate interests	(28,843)	(43,066)	(21,714)
Gain on dispositions of real estate interests		13	5
Consolidated net loss of DCT Industrial Trust Inc.	(28,843)	(43,053)	(21,709)
Net loss attributable to noncontrolling interests	3,593	5,223	3,124
Net loss attributable to common stockholders	(25,250)	(37,830)	(18,585)
Distributed and undistributed earnings allocated to participating securities	(443)	(480)	(436)
Adjusted net loss attributable to common stockholders	$ (25,693)	$ (38,310)	$ (19,021)
EARNINGS PER COMMON SHARE BASIC AND DILUTED:			
Loss from continuing operations	$ (0.14)	$ (0.18)	$ (0.12)
Income (loss) from discontinued operations	0.03	(0.00)	0.02
Net loss attributable to common stockholders	$ (0.11)	$ (0.18)	$ (0.10)

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic and diluted	242,591	212,412	192,900

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity,

Comprehensive Income (Loss) and Noncontrolling Interests

For the Years Ended December 31, 2011, 2010 and 2009 (in thousands)

		DCT Industrial Trust Inc. and Subsidiaries					
		Common Stock					
	Total Equity	Shares	Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Compre-hensive Income (Loss)	Non-controlling Interests
Balance at December 31, 2008	$ 1,401,500	175,141	$ 1,751	$ 1,657,923	$ (513,040)	$ (22,463)	$ 277,329
Comprehensive income (loss):							
Net loss	(21,709)				(18,585)		(3,124)
Net unrealized gains on cash flow hedging derivatives	15,980					14,117	1,863
Realized losses related to hedging activities	(2,894)					(2,557)	(337)
Amortization of cash flow hedging derivatives	1,072					947	125
Allocation of interests						(1,056)	1,056
Comprehensive income (loss)	(7,551)				(18,585)	11,451	(417)
Issuance of common stock, net of offering costs	111,388	27,600	276	111,112			
Issuance of common stock, stock based compensation plans	479	222	2	477			
Amortization of stock-based compensation	8,602			1,926			6,676
Distributions to common stockholders and noncontrolling interests	(68,839)				(59,462)		(9,377)
Partner contributions from noncontrolling interests	158						158
Purchase of noncontrolling interests	(155)			48			(203)
Redemptions of noncontrolling interests	(1,949)	5,083	51	46,168			(48,168)
Balance at December 31, 2009	$ 1,443,633	208,046	$ 2,080	$ 1,817,654	$ (591,087)	$ (11,012)	$ 225,998
Comprehensive income (loss):							
Net loss	(43,053)				(37,830)		(5,223)
Net unrealized losses on cash flow hedging derivatives	(7,491)					(6,664)	(827)
Realized gains related to hedging activities	2,040					1,815	225
Amortization of cash flow hedging derivatives	889					791	98
Allocation of interests						(219)	219
Comprehensive income (loss)	(47,615)				(37,830)	(4,277)	(5,508)
Issuance of common stock, net of offering costs	59,999	12,571	126	59,873			
Issuance of common stock, stock based compensation plans	77	106	1	76			
Amortization of stock-based compensation	4,827			1,479			3,348
Distributions to common stockholders and noncontrolling interests	(67,882)				(60,210)		(7,672)
Partner contributions from noncontrolling interests	8,801						8,801
Purchase of noncontrolling interests				281			(281)
Redemptions of noncontrolling interests	(1,002)	2,224	22	18,926			(19,950)
Balance at December 31, 2010	$ 1,400,838	222,947	$ 2,229	$ 1,898,289	$ (689,127)	$ (15,289)	$ 204,736

(table continued on next page)

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

DCT Industrial Trust Inc. and Subsidiaries

	Total Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions In Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
Balance at December 31, 2010	$ 1,400,838	222,947	$ 2,229	$ 1,898,289	$ (689,127)	$ (15,289)	$ 204,736
Comprehensive income (loss):							
Net loss	(28,843)				(25,250)		(3,593)
Net unrealized losses on cash flow hedging derivatives	(16,637)					(15,066)	(1,571)
Realized gains related to hedging activities	129					117	12
Amortization of cash flow hedging derivatives	970					878	92
Allocation of interests						24	(24)
Comprehensive income (loss)	(44,381)				(25,250)	(14,047)	(5,084)
Issuance of common stock, net of offering costs	111,588	21,850	219	111,369			
Issuance of common stock, stock based compensation plans	(88)	215	2	(90)			
Amortization of stock-based compensation	4,552			1,564			2,988
Distributions to common stockholders and noncontrolling interests	(76,848)				(68,852)		(7,996)
Issuance of noncontrolling interests	4,880			(5)			4,885
Partner contributions from noncontrolling interests	4,632						4,632
Purchase of noncontrolling interests	(687)			(191)			(496)
Redemptions of noncontrolling interests	(371)	931	9	7,139			(7,519)
Balance at December 31, 2011	$ 1,404,115	245,943	$ 2,459	$ 2,018,075	$ (783,229)	$ (29,336)	$ 196,146

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders   Equity,

Comprehensive Income (Loss) and Noncontrolling Interests

For the Years Ended December 31, 2011, 2009 and 2008 (in thousands)

continued

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	For the year ended December 31,		
	2011	2010	2009
OPERATING ACTIVITIES:			
Consolidated net loss of DCT Industrial Trust Inc.	$ (28,843)	$ (43,053)	$ (21,709)
Adjustments to reconcile consolidated net loss of DCT Industrial Trust Inc. to net cash provided by operating activities:			
Real estate related depreciation and amortization	128,989	115,904	111,250
Gain on dispositions of real estate interests			