PARTICIPANTS

Corporate Participants

Melissa Sachs – VP-Corporate Communications & Investor Relations
Philip L. Hawkins – President, Chief Executive Officer & Director
Matthew T. Murphy – Treasurer & Senior Vice President-Finance
Jeffrey F. Phelan – Managing Director-California Region

Other Participants

James Feldman – Analyst, Bank of America Merrill Lynch
Ki Bin Kim – Analyst, Macquarie Capital (USA), Inc.
John J. Stewart – Analyst, Green Street Advisors, Inc.
Brendan Maiorana – Analyst, Wells Fargo Advisors LLC
Sheila K. McGrath – Analyst, Keefe, Bruyette & Woods, Inc.
George D. Auerbach – Analyst, International Strategy & Investment Group, Inc.
Craig Mailman – Analyst, KeyCorp Investment Banking
Mitch B. Germain – Analyst, JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the DCT Industrial Third Quarter 2011 Earnings Conference Call and Webcast. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Melissa Sachs, Ms. Sachs, the floor is yours now.

Melissa Sachs, VP-Corporate Communications & Investor Relations

Thank you, [ph] Mike (00:49). Hello, everyone, and thank you for joining DCT Industrial Trust's third quarter 2011 earnings call.

Before I turn the call over to Phil Hawkins, our President and Chief Executive Officer, I would like to remind everyone that management's remarks on today's call will include forward-looking statements within the meaning of federal securities laws. This includes, without limitation, statements regarding projections, plans, or future expectations. Actual results may differ materially from those described in the forward-looking statements, and will be affected by a variety of risks, including those set forth in our earnings release and in our Form 10-K filed with the SEC, as updated by our quarterly reports on Form 10-Q.

Additionally, on this conference call, we may refer to certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures are available in the supplemental, which can be found in the Investor Relations section of our website at dctindustrial.com.

And now, I will turn the call over to Phil.

Philip L. Hawkins, President, Chief Executive Officer & Director

Thank you, Melissa. Good morning, everybody. Joining me on the call today are Matt Murphy, our CFO, who will provide a more details on the quarter as well as our guidance for the balance of this year and 2012. And Jeff Phelan is joining us, who is Head of the National Development for the company and also overseas our West Region, who can answer your questions about development activities as well as markets in his region.

We had an outstanding quarter. Given all the negative news over the past several months, it's great to see our market teams continue to deliver strong operating results. We have seen consistent improvement in our key operating metrics over the past 18 months and this quarter continued that trend.

Some highlights, we leased 4.1 million square feet of space, including 1.4 million square feet of new lease during the quarter. Occupancy increased in our total consolidated portfolio by 180 basis points to 89.9% and our same-store occupancy increased by 130 basis points to 90.2%. Same-store NOI increased 1% on a GAAP basis and declined 0.5% on a cash basis. Tenant retention was 79.1% for the quarter and 73.6% year-to-date. And rental rate increased 1.9% on a GAAP basis and declined 6.8% on a cash basis.

The fourth quarter has gotten off to a strong start for us as well, with 1.6 million square feet of leases signed in October. While I wouldn't be surprised if leasing activities slows somewhat from current levels, I do expect GDP growth and net absorption will both remain in positive territory on a national basis for the foreseeable future.

Customers, especially larger companies, continue to make decisions. They lease space from us and other owners of industrial buildings to not just accommodate expansion plans but just as importantly to reconfigure their supply chains and reduce overall cost, an objective that is even more important in these turbulent economic times.

I will note that smaller users have been slower in coming since just to downturn and the increased uncertainty of recent months could further delay their return to the market in a more meaningful way. We do need smaller companies to become more active, to get to the next stage of recovery in the industrial markets. This will in part require improved access to capital that has so far been challenging for smaller companies to obtain compared to larger companies.

Turning to capital deployment, we acquired 1.2 million square feet in six transactions for $78.7 million since the end of the second quarter. Located in the Inland Empire West, Seattle, Denver, Houston, Atlanta and Orlando, these acquisitions are expected to generate a cash yield in the first year of 6.3% and once leased, a stabilized yield of 7.3%.

Our market teams continue to do a great job sourcing, underwriting and closing high quality acquisitions, which will deliver attractive financial returns and future growth over time. We currently have approximately $50 million of additional acquisitions under contract and expected to close before year-end.

A logical question given the increased economic turmoil in recent months is how has your acquisition strategy changed? The answer is that we continue to look at and consider potential acquisition opportunities, but we are applying more conservative underwriting with respect to leasing and rent growth. We remained interested in prudently deployed capital but only into the right assets, the right submarkets and the right locations and based on realistic underwriting assumptions.

As mentioned last quarter, we are beginning to pursue the development of new assets in infill locations and strong markets where rents and vacancy levels make sense. We acquired two land sites last quarter, one in the Airport West submarket of Miami and one in the Inland Empire West market in Southern California.

Our development teams are hard at work, advancing these projects to design and permitting with the expectation that we will start construction in the first quarter. Construction has recently started on two other development projects. The first is Phase 2 of our Dulles Summit project in Washington D.C. where we started two building totaling 178,000 square feet. We are now in active negotiations with a tenant to prelease both building and are hopeful about executing this lease within the next 30 days.

The second development is Northwest 8 Distribution Center, a 267,000 square foot cross-dock bulk distribution building in the heart of Houston's Northwest submarket. Houston is one of the most active leasing markets in the country, and we are excited to have broken ground and commenced marketing of this project. Early interest of both brokers and tenants has been very encouraging.

We have also continued to make progress with respect to our re-development and value-add projects. In October, we signed a lease for a 100,000 square building in Miami Airport West Submarket, we acquired in February, although this lease remain subject to the tenant obtaining a use permit which we expect to occur in the next week or so.

You may recall that we acquired the building knowing that the existing tenant was intending to vacate. We underwrote the transaction such as the existing tenant would vacate immediately upon acquisition and that the building would stay vacant for nine months. As it turned out, we managed to accommodate the expiring tenant so that they could stay in the building through August, providing significant unbudgeted revenue during the leasing period.

The new tenant is expected to occupy by the end of the year resulting in a downtime of only four months at a rent that meaningfully exceeds pro forma. This transaction is an excellent example of how our local Miami teams sourced, closed and executed on the value-add transaction that resulted in DCT obtaining a high quality, well located building at a very attractive cost per foot and creating significant value through their leasing efforts.

In Southern California, we signed a lease for 500,000 square feet to complete the lease up of the 1 million square foot building in our unconsolidated SCLA joint venture. We also leased up our 193,000square foot redevelopment project in Chino, California well ahead of schedule and are on or ahead of schedule in terms of leasing for each of our other value-add and redevelopment projects in New Jersey, Orlando and Chicago.

As I mentioned last quarter, we are marketing several buildings in smaller portfolios for sale and are currently under contract on approximately $44 million and under LOI for an additional $32 million. Each of these assets is located in markets where we are looking to reduce our exposure or exit consistent with our overall objective of focusing our capital in fewer markets over time.

We've been pleased with the level of investor interest and based on our recent experience as well as broker feedback, the investment sales market remains quite active and functioning. We are working on several other disposition marketing packages and expect we will continue to sell assets to fund our growth through 2012.

As I look back over the past 18 months, I'm pleased, very pleased with how much our company has accomplished relative to our strategic goals. Our market teams have continued to establish themselves and compete very successfully. We have acquired a total of $235 million in assets, 76% of which are located in coastal markets.

We have internalized property management in our larger markets. And we have successfully executed relative to plan on each of our value-add and redevelopment projects. I'm proud of the fact that our company competes as much or more with our people and our capital. And I look forward to continued substantial progress in growing the company and creating shareholder value through our efforts.

Before I turn the call over to Matt, let me say that the transition in the CFO responsibilities could not have gone more smoothly. Matt's been here since day 1, and he is intimately familiar with the company, our people, and our assets, so he is well prepared for the transition. I can also say that Matt's team of finance and accounting professionals is outstanding, continues to do a great job. We are indeed in good hands with Matt and his team. So now let me turn the call over to him.

Matthew T. Murphy, Treasurer & Senior Vice President-Finance

Thanks very much, Phil, and good morning, everyone. Thanks for joining us today. I'm going to provide some color on our third quarter results and then walk you through the high points of guidance both for the remainder of 2011 and for 2012.

Our third quarter remained very strong, particularly with regard to the continuing improvement in operating results. As Phil mentioned, our total consolidated occupancy increased 180 basis points in the third quarter. This is our sixth consecutive quarter in which occupancy has improved. Over that span, our total occupancy has increased over 900 basis points to just under 90%. What's even more encouraging in my view is that the improvement has been broad based. Our leasing hasn't just been in the strongest markets like Southern California, Houston although those two markets sit at 99.2% and 96.5% respectively.

We are also making great progress in markets like Atlanta, our largest market in terms of square feet, where our occupancy has grown over 900 basis points in the past year and is currently over 92%. Chicago and other top ten markets in terms of annualized base rent have seen occupancy increase almost 18% since this time last year.

Even in Cincinnati, which has definitely been a tough market during the recession, we've had very good leasing activity and our occupancy has increased 540 basis points since a year ago. This improvement doesn't even take into account another 610 basis points of space in Cincinnati, that's currently leased but not yet occupied. Clearly, our teams have made significant progress over a number of fronts.

Leasing volume has also remained strong as evidenced by the 4.1 million square feet of leases we saw in our consolidated portfolio during the quarter. This brought our total leasing volume for the year to just over 11 million square feet and almost 15.7 million square feet for the last four quarters combined. One byproduct to the success we've had is that our leasing cost, tenant improvements, make ready cost and leasing commissions were high for the quarter and year-to-date at $24.4 million.

Some of this stems from the record leasing that we did in the fourth quarter of 2010, which resulted in some expenditures bleeding over into 2011. Additionally, it's reflective of the 560 basis points in total consolidated occupancy gains we've experienced over the past 12 months. While this elevated level of capital expenditures has been a necessary cost of leasing up our portfolio, the prudent management of these expenditures will be a continuing focus of our teams moving forward.

Turning to same-store results, same-store net operating income increased 1% on a GAAP basis in the quarter, another indication of how fundamentals have continued to improve. Year-to-date, the decline in GAAP same-store has improved to -0.3%, on a cash basis same-store net operating income declined 0.5% for the quarter and 1.5% year-to-date. Average occupancy on our same-store pool was 89.8% during the quarter, an increase of 310 basis points versus the third quarter of 2010.

Similar to my comments about occupancy, the progress from a same-store perspective has been fairly broad based with 15 of our markets demonstrating quarterly same-store improvement on a GAAP basis, and 14 markets improving on a cash basis. Bottom line, third quarter funds from operations was $0.10 per diluted share and we enter the fourth quarter with excellent momentum from an operating results perspective.

Now let me take you through some of the details of our guidance for the remainder of the year and our initial guidance for 2012. We've raised the bottom of our FFO guidance for 2011 and narrowed the range to $0.38 to $0.39 per diluted share as adjusted. The increased from last quarter is driven almost entirely by better leasing and higher occupancy. We now expect total occupancy to average between 88% and 89% for the year with ending occupancy slightly in excess of 90%. We expect 2011 same-store NOI to be essentially flat compared to 2010 on a GAAP basis and down approximately 1% on a cash basis.

We have initiated our 2012 FFO guidance with a range of $0.36 to $0.41 per diluted share. We have based this guidance on a macroeconomic backdrop of continued modest economic growth, which we believe will continue to generate moderate positive net absorption for industrial space. We believe new supply will remain muted and these supply demand dynamics will result in improving fundamentals in virtually all of our markets in 2012. More specifically, our guidance is based on the following assumptions.

Average occupancy for the total consolidated portfolio is expected to be between 90% and 93%. As is typically the case, we expect occupancy to decline slightly at the beginning of the year as seasonal month-to-month and short-term tenants vacate. We expect occupancy will then build throughout the year and end up somewhere between 93% and 94%.

We have approximately 10.2 million square feet of leases expiring in 2012 or roughly 18% of our leases in terms of annualized base rent. We expect to retain a little over 65% of that expiring square footage, which means that we need to execute approximately 6 million square feet of new leases during 2012 in order to reach our leasing expectations. We believe this number is very manageable given our recent leasing success and our outlook for the leasing markets in 2012.

Same-store net operating income is expected to increase up to 3% on both a GAAP and cash basis as occupancy increases are largely offset by rental rate decreases. We expect rents to roll down approximately 0% to 5% on a GAAP basis and 5% to 10% on a cash basis. It's important to keep in mind that these statistics, in fact all of the operating statistics that I'm talking about, do not take into account the potential impact of any acquisitions or dispositions.

Shifting to acquisitions, we continue to uncover opportunities to deploy capital at attractive returns into target markets and submarkets, which we believe will continue to perform well over time. Consequently, we have included in our guidance $50 million to $150 million of acquisitions. These acquisitions will be a combination of stabilized assets and value-add opportunities, which are likely to be similar to those which we have executed successfully over the past 12 months or so.

Additionally, we're planning to start construction on between $50 million and $100 million of development projects in 2012. These projects will be in markets for rents and leasing activity have recovered sufficiently to deliver attractive returns on a risk adjusted basis. It is our plan to fund the capital deployment I have described from the proceeds of property dispositions.

We expect that the combination of investment and development and value-add acquisitions as well as the effect of disposing of non-strategic assets will cause short-term dilution of approximately $0.01 to $0.02 per share in 2012.

In summary, we believe we are well positioned to take advantage of the recovery in industrial real estate markets, which has begun and is continuing. Our local teams and our focused markets continued to deliver excellent results both in leasing and sourcing transactions. And we believe our targeted development and value-add program will create value for our shareholders. We have been cautious throughout the recent downturn and believe that caution has been both appropriate and rewarded. We now look forward to 2012, cautiously optimistic that the worst of the storm is over and confident in the knowledge that our teams are in position and executing well.

With that, I'll turn it back over to Mike for questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instruction] The first question we have comes from Jamie Feldman of Bank of America. Please go ahead.

<Q – James Feldman – Bank of America Merrill Lynch>: I guess the first question is for Phil, you had said, you wouldn't be surprised to see leasing activity slow from current levels. Can you just give a little bit more color on your conversations now with tenants and just how people are thinking about their needs over the next 12 months?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: You know I think that so far tenants continue to make commitments to move forward. What I worry about is the cumulative effect of increased uncertainty, increased turmoil talked about in the press. And that I think has to affect the way Boards and CFOs and CEOs of, various users of distribution space think about the world. So I can't say, I can't point to any recent conversations that say it's going to go one way or the other. I can tell you people obviously are thinking about it, worried about it. They continue to – companies continue to get financing, they continue to get support for projects that makes sense to run their business. I don't believe that companies are going to though stretch in terms of their own business plans and growth plans so they're not going to be betting on the come, so to speak, which will have some impact. I just think overall psychologically, this has got to have some muting impact.

I hope not, I also don't believe it will be a repeat of 2008, 2009 when net absorption turned negative because I do believe and I do hope that the financial markets continue to function. Obviously if things melt down in a more serious way over in Europe or somewhere else then all bets are off. But I just think how are peoples thinking and most importantly how are the decision makers thinking and I got to believe that they just had a muting effect.

<Q – James Feldman – Bank of America Merrill Lynch>: Okay. And then as you're thinking about the new development, I know if you look back, say three months ago and talking to brokers, it sounds like there are several markets where a lot – I shouldn't say a lot, but multiple landlords are thinking about starting new development. Are there any that have already become overly saturated in terms of plans for new projects, where you guys are actually steering away or is it still way too early to start thinking that way?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: One, I think it's too early to start thinking that way, but it's not too early to think that way. It's too early to be raising a flag. The market with the most development in the number of projects is Houston. There's been strong demand, those projects – number of them are preleased it in part or in whole. So I don't believe that Houston is anywhere near a point where it can accommodate new absorption.

In each case, each market, Inland Empire has got several buildings and Jeff can talk more about that, if you want to drill into the Inland Empire. But on a relative basis it's minuscule, new supply in those markets relative to A, full inventory and B, current and projected net absorption. So I don't see any flags yet in that regard.

<Q – James Feldman – Bank of America Merrill Lynch>: Okay and then...

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Dulles, where we are under construction I mean we're the only project Miami Airport West. I know one of the companies got some land they could build on, but we are ahead of them, but it's again miniscule relative to demand and the size of the market.

<Q – James Feldman – Bank of America Merrill Lynch>: Okay. And then finally a question for Matt, so what does your guidance mean for AFFO for next year and dividend coverage, and what are your assumptions for CapEx?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah, Jamie, as you know we've never guided to AFFO. I think you look at it in terms of the amount of leasing that we have to do and I think the presumption is we would have a similar amount of capital in 2012 as in 2013 – excuse as in 2011, probably a little bit lower, but certainly in the same order of magnitude. Straight line rents should probably decrease a little bit. One, free rent is abating somewhat in certain markets, but also again we're not going to have the ramp up in occupancy and therefore not the same amount of free rent, straight line rent associated with that. But I think I would not anticipate a significant abatement in terms of the amount of capital that we spend because we still do have a fair amount of leasing to do although I do think it will probably decrease somewhat.

<Q – James Feldman – Bank of America Merrill Lynch>: Okay. And then as you're thinking about the quarters next year...

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Jamie.

<Q – James Feldman – Bank of America Merrill Lynch>: Yeah.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: We're actually – we've had criticisms in the past, we need to keep it moving. Can you..

<Q – James Feldman – Bank of America Merrill Lynch>: All right. That's fine. Thank you. Appreciate it.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Take it offline or at the end of the queue. Thanks.

<Q – James Feldman – Bank of America Merrill Lynch>: Okay. Sorry. Thanks.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: That's all right.

Operator: And the next question we have comes from Ki Bin Kim of Macquarie.

<Q – Ki Bin Kim – Macquarie Capital (USA), Inc.>: Thanks. Just a follow-up on the leasing questions. First, what is the dollar amount of rent locked up in free rent and teaser rates right now?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: So, hi, Ki Bin, it's Matt. The answer is in terms of free rent, there is about $6.5 million that's currently of annualized base rent, it's currently in our total portfolio in the free rent period. In terms of teaser rates, I think the number is a little bit hard to quantify, but it's in the order of magnitude of about a $1 million plus or minus on an annualized basis.

<Q – Ki Bin Kim – Macquarie Capital (USA), Inc.>: It's all right. And what would the – so let's call that some one ask, what the normalized level be? So and for us to I guess better predict what's going to happen in 2012 in terms of cash NOI?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah. I think clearly the $6.5 million is about $2.5 million up from last year, which I still think is elevated. I think if you look at that, it's really hard to generalize, but I think if you look at that on a normalized year-over-year run rate basis, that number is going to be $2 million to $2.5 million.

<Q – Ki Bin Kim – Macquarie Capital (USA), Inc.>: It will be $2.5 million – that $2.5 million, $2 million too high?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: So, no, if you look at over time how much space is typically going to be in a free rent period and again you have to look at what the health of the overall markets is, I would expect $2 million to $2.5 million on an annualized basis is a good run rate. Again, it doesn't behave statically over time because it has to do with increasing or decreasing occupancies and/or increasing or decreasing incentives in the market. But I think if you look at the last several years as a gauge, I think that's probably a reasonable expectation.

<Q – Ki Bin Kim – Macquarie Capital (USA), Inc.>: Okay. And just last question, if I look at your quarterly leasing stats, it seems there's a bit of a bifurcation in terms of renewals – the mark-to-markets are now looking pretty good. But the new leases are tight or worse in terms of your mark-to-markets, is that – am I reading into it too much or is that somewhat indicative of the way you're being more aggressive in terms of maybe cutting rents to get those leases signed, for new leases?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: I don't necessarily think you're reading into it too much. The thing that always bothers me and we've talked about this, from a statistics perspective, rent growth or rent roll down is such a volatile statistic because it's so much dependent on mix.

I think the headline way to look at this is that you are continuing to see market rents improve in many, many markets, if not most markets, and meaningfully in some markets. And therefore, over time, if you think of this as a five year lease business, which by and large is the right way to think about it, you're really going to see those statistics start to improve. I think you know you see the volatility we've had first quarter, second quarter, third quarter really is a result of mix, it has to do with markets, it has to do market size, the tenant size, it has to do with TIs. So it's a very difficult thing to look at on any quarter basis because I think mix is the biggest answer to every one of those.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Let me just add real quick. First, we would always rather renew a tenant than not, economics both from the rent standpoint and as well as the CapEx standpoint will almost always be better. And second, in fact the mix coming – remarks you talked about how we really pick up leasing on some of the more recently weaker markets. And clearly the good news is we're leasing space, glad to do it, love to see occupancy gains in Cincinnati and other places. But relative to for example Southern California, Seattle, Houston where we've been rolling over, been more successful earlier leasing space, the results will not be as favorable from a rent prospective, that's just a bottom line.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Yeah, I think that's a really good point. If you look at our leasing for the quarter, 17% of the decline is attributable to Memphis. So Memphis is clearly a tough market, but it's also at 100%. So you don't do that again although there's clearly roll coming up. So I think that's an excellent point that we have made progress in some of the tougher markets which has sort of muted that number, if you will, or drag that number down.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Thanks, Ki Bin.

<Q – Ki Bin Kim – Macquarie Capital (USA), Inc.>: Thank you.

Operator: Next question will come from John Stewart of Green Street Advisors. Please go ahead.

<Q – John Stewart – Green Street Advisors, Inc.>: Thank you. Phil, sorry if I missed this in your opening remarks, but could you please speak to the 46 acres of land you bought in Cincinnati during the quarter?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Sure, it was pursuant to a must take from the land that we bought five years ago. And so it was – it required quite a bit of obligation, no intention to do anything to spec, [indiscernible] (28:34) basis, but that's what it's related to.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: And the good news is that the acquisition was triggered by the fact that we had leasing in the first phase, so.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay, thank you. And Phil, I was also hoping I can get you to comment intrigued by your commentary that your baseline forecast is for positive GDP and net absorption for the foreseeable future. Wondered if you could speak to roughly the macro backdrop that underpins the low end of your guidance?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: National net absorption kind of modest, I think about it to the GDP kind of 1%, 1.5% growth would be what, I think it was anemic, but still mildly positive.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: I think of it as, John, as you think about occupancy, I mean obviously the bottom end of our guidance from an occupancy perspective is basically flat to where we expect to end the year. So I think you can connect the dots there. I mean basically we are not projecting a regression in total absorption.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay. And lastly, if I heard you correctly it sounds like you've got $75 million roughly dispositions either under contract or LOI. Can you give us a sense for the yields or the exit cap rates on those dispositions?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Probably there 7.5% range plus or minus seven a quarter, seven three quarters, in that range.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay, thank you.

Operator: Your next question we have comes from Brendan Maiorana of Wells Fargo.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Hi, dude.

<Q – Brendan Maiorana – Wells Fargo Advisors LLC>: Thanks, good morning. So just question, Phil, I think you mentioned that you thought leasing pace might sort of slow down or you could see that it's slowing down a little bit, but if you look your guidance for next year and you think about the increase in occupancy that you are expecting, kind of 300 or 400 basis points through by the end of the year, look at the new leases that you need to do that would replace move outs, if you are at 65% retention ratio.

And I think as Matt mentioned, it equates to around 6 million square feet of new leasing that would have to get done, which is basically in line with what you've done over the past four quarters. So kind of in line with that current run rate, and if you've got less available square footage and you think the market could be a little bit – could be slowing down a little bit, what kind of gives you the confidence that you can continue to do 6 million square feet of new leasing for 2012?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Well, first, what I did say is that we're seeing signs of the slowing down. We had a heck of an October which – so we've not yet seen signs. I am just reflecting my own thoughts and concerns that at some point it can, it wouldn't surprise me. If you look at our leasing pace this year, I think next year, when you factor in renewals we are in I think better shape next year and have in some ways more modest occupancy gain goals that we did in '11. So I think it does reflect slightly more muted thoughts about leasing up both because of markets and the economy and also because of the last next couple of 100 basis points is and should be slower to lease up than the first. You know when you're at 80% we have a little different mindset than if you're at 90%.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: The other piece that I would mention about that is that I also mentioned we're anticipating 65% retention on those numbers, which is significantly worse than we've done and really most of our peers have done over the past twelve months, which is not a prediction of anything as much as it is sort of a budgeting regression to the mean thinking. So I think, if we continued to perform on a renewal perspective and there is no reason to think that we won't, that $6 million, excuse me, 6 million square foot number obviously drops appreciably.

<Q – Brendan Maiorana – Wells Fargo Advisors LLC>: Great. Okay. All right, that's helpful. And then Matt, if I just think about kind of big picture, the guidance for Q4 is $0.09 to $0.10 for FFO. And that's basically the same annualized number that you're expecting for 2012, $0.09 to $0.10. And we think about the lease up that's happening, positive same-store NOI growth or flat to positive same-store NOI growth at least on a GAAP basis is I guess the offset that wouldn't drive an improvement in FFO growth from the current run rate just because you're going to be disposing of some assets that will spin-off current yield take kind of at that 7.5% rate. And the new investments are going to be in development and value-add assets that are going to have a lower going in yield.?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah, that certainly by far the biggest driver of that and I think the way you're thinking about it is exactly right. The other thing that has been baked into our numbers for a while, but it's easy to forget for that very same reason is that we are – we have extended out our average maturities. So you're seeing some increase in total interest expense, year-over-year. It's not as a result of future transaction, so it's easy to not think about it that way. But we just put $225 million worth of debt in place and we think it's excellent debt. But in a lot of ways it was replacing floating rate short-term that was too cheap to be sustained, frankly. But I think clearly the biggest piece of that is the 100 to 150 basis points spread that we're thinking about between deployment and dispositions, that's clearly the biggest driver. As I mentioned in my comments, we sort of think of that as $0.01 to $0.02 dilution in 2012 numbers.

<Q – Brendan Maiorana – Wells Fargo Advisors LLC>: Right, sure. And just for clarification, I mean there is nothing in terms of the capital plan outlook for next year, relative to Q4. There is not really any major change in terms of how you are thinking about that right?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: That's correct.

<Q – Brendan Maiorana – Wells Fargo Advisors LLC>: Okay, great. Thanks.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Thank you.

Operator: The next question we have comes from Sheila McGrath of KBW.

<Q – Sheila McGrath – Keefe, Bruyette & Woods, Inc.>: Hi, yes, good morning. Phil, I was wondering if you could discuss any industrial portfolios that are currently in the market or recently in the market. Are these transactions that you would be interested in, did you bid and how the pricing looked to you?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Oh. First, we looked. Second, on the larger portfolios to my knowledge did not bid or bid seriously, actually there is one, not a portfolio from a public REIT, but a private developer, that we actually did pursue and frankly just came up short on price. It was great assets, it's going to trade in our view at or above replacement cost and we just felt that wasn't the right decision for us.

I would say that what's going on in the market right now is that there continues to be trades, but three months ago bigger was better and the bigger you got the better you are going to do you're your portfolio. And it gets clearly reversed, the sweet spot's come down quite a bit. Maybe as a couple of million dollars or even bigger three months ago, today the sweet spot passed by $50 million to $100 million. Clearly you get small deals done, the buyer pool is little broader. You may lose some of the big guys that aren't interested in doing small deals, but you pick up a lot of other buyers that are willing to basically swing for singles but not willing to strike out in the hunt for a grandslam home run. So the market is changing in that regard. I am not sure if I answered all your questions. So...

<Q – Sheila McGrath – Keefe, Bruyette & Woods, Inc.>: The one you missed out on, what cap rate do you think that portfolio went at – transacting at?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Well, it was – I would say it was in – Dallas and Atlanta were two large – the two primary markets, great assets and I suspect it's going to trade in the mid six cap rate or less.

<Q – Sheila McGrath – Keefe, Bruyette & Woods, Inc.>: Okay. And last question, any notable trends in terms of specific industries leasing up more space and if there is any color by market like were there any specific industries leasing up more in Houston or Atlanta of late?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Houston continues to do very well, while they claim to be a diversified economy let's not kid ourselves it's energy driven at least that's my sense. It's a cop-out to say it's broad-based, but indeed it's broad-based. There has been a lot of activity amongst the 3PLs and when you talk to them, they're getting a lot of pings for new business. And that also will reflect a fair amount of consumer driven products tend to use a lot of 3PLs, that's one area – Matt, any other areas that you know about?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah, couple of different thoughts. From a market basis, again it's consistent with my comments begin with the leasing – the biggest leasing that we had in the quarter was in Indianapolis, Cincinnati, Atlanta. I think 3PLs are clearly a big part. We had a lot of manufacturing again, a single big lease. We had 412,000 square feet, I think 413,000 square feet with Nissan, which obviously that's a big enough number to skew the statistics, that's in Memphis. So it is, tend to be broad based. The big ones have been in both manufacturing what I'll consider wholesale distribution, but it really has been across a number of markets and across a number of industries.

<Q – Sheila McGrath – Keefe, Bruyette & Woods, Inc.>: Okay. Thank you.

Operator: The next question we have comes from George Auerbach of ISI Group. Please go ahead.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: Great. Thanks, guys. Just two questions on your leverage. On our numbers your net debt-to-EBITDA ratio is in mid sevens today, should we assume that this leverage stays pretty flat near term as you lease up the portfolio but do suffer some dilution from asset sales? And second, at a mid sevens leverage level, what volume of construction progress are you comfortable with on the balance sheet going forward given the uncertainty in the capital markets?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah. George, this is Matt. I think clearly the seven range, we have continually over the last several quarters, couple of years really sort of focused on maintaining leverage where we are at or getting better as we raised equity earlier this year and last year. So I think debt-to-EBITDA of seven times is a good weight on any given quarter given the timing of acquisitions and dispositions you might see that bump a little bit, but that's clearly no deterioration for that – meaningful deterioration for that over time is the way we're thinking about it.

I think from a what sort of development capacity can we sort of absorb if you will on our credit metrics, I think the $100 million starts assuming that we're a year, excuse me, assuming that we are continuing to make progress of leasing of that over time fits very comfortably within both the way that we look at viewing an investment grade company and then also sort of well in excess of whatever covenants we might have from existing debt covenants perspective. So I think continuing to have $100 million to $150 million invested in value-add at any point in time – and value-add in that context really means space that has been deployed but not necessarily leased yet as you deploy money over time, I think it seems about the right place to be.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: We might not necessarily fund all that through the line. We are planning on selling assets and as Matt said in his remarks, covering that deployment in with dispositions, we obviously have a line with attractive terms. We'll use it, but we will also use it quite I think carefully and conservatively.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: Okay.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah, I mean I may not have been explicit about this, George, but the plan is really to effectively fund deployment on a matched funds basis with dispositions. Now you never get...

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Deployment means development as well.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Correct. That's a good point. Right.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: Okay. And just a follow-up on the development, do you have all the land that you need to do this $75 million, give or take, of development starts next year?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Yes.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: Okay.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yes.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: That will all be on wholly-owned land?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: I think the answer is yes, most likely. But we have – we've got the land we need. We may buy more land. We're certainly looking for land. Jeff, do you want to add any comments on land strategy next year development...

<A – Jeffrey Phelan – DCT Industrial Trust, Inc.>: As far as development is concerned we're going to continue to look in the focus markets. We're looking at billing Class A product in the Class A locations across our focus markets in the U.S.

<Q – George Auerbach – International Strategy & Investment Group, Inc.>: Okay. Thank you.

Operator: Next question we will have comes from Craig Mailman of KeyBanc Capital Markets.

<Q – Craig Mailman – KeyCorp Investment Banking>: Yes. Just wanted to follow-up quickly on the disposition, it sounds like you guys want to match funds with what you have kind of prospectively on the investment front. I mean is it fair to think you guys could do $100 million to $200 million of dispositions and how does that compare to what you guys are currently get a rate to market maybe what you guys have identified as the overall kind of non-core pool that you'd want to pair over the next one to two years?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Craig, hey, it's Matt. So I think with regard to – it is our assumption, I think clearly there is a market floor- that will allow us to do $100 million to $200 million. That's a little bit higher than what we talked about in terms of certainly the mid point of guidance. But yes, absolutely the markets as they exist today that is something that we think we could do and within the sort of confines if you will of what our guidance suggests.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: By the way, I should emphasize that we intent to make sure that uses and sources of capital match up. To the extent we've got any reason to be concerned about ability to dispose of assets, it will have an immediate impact on how we think about acquisitions of assets as well. And I can't get too far ahead in either direction because obviously markets can change and to assume that they are always open, always liquid and prices are always attractive would be a mistake.

<Q – Craig Mailman – KeyCorp Investment Banking>: So that is going to govern each others markets.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Yeah, we are doing bite sized acquisition frankly, roughly bite size dispositions. So it's not only we are betting on a $0.5 billion portfolio either buying or selling. You see what we've been doing, we buy $10 miilion, $15 million deals, $5 million deals. We are selling it not a dissimilar way. $25 million packages, some cases maybe $30 million, $35 million packages, done a few small buildings, to users or to smaller investors. So we have the ability to calibrate I think without getting, taking gigantic steps that will get us in trouble.

<Q – Craig Mailman – KeyCorp Investment Banking>: And then just you guys give a dollar amount on what you are currently getting ready to market?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: No, we did not. The only dollar amounts I gave if what we've got currently under agreement, either contract or LOI.

<Q – Craig Mailman – KeyCorp Investment Banking>: Okay. And then just one quick one on the follow-up on the leasing, maybe just give us a sense of what the prospect pipeline looks relative to say three months ago. And then also just in the new leasing rented this quarter, were seasonal shorter term leases material amount of that or pretty nominal?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: So I guess I can take both parts of that. We have a report that we get on a monthly basis that looks back both on months and quarter. And what I can tell you is, our leasing pipeline is very consistent, the mix of renewal changes as a result of sort of what's cooking. But the pipeline is very consistent today as it was 30 days ago, as it was 60 days ago. Short term leasing we did about 400,000 square feet which is not part of the $4.1 million of leasing in the supplemental that we talked about. We currently said about 2% of short-term occupancy and short-term we consider anything less than six months and that has become pretty standard over the last three, four quarters. Clearly, typically, ramps up this time a year, not surprisingly as people get ready for overflow, but that's a pretty standard number.

<Q – Craig Mailman – KeyCorp Investment Banking>: Great. Thank you.

Operator: And the next question we have comes from Mitch Germain of JMP Securities. Please go ahead.

<Q – Mitch Germain – JMP Securities LLC>: Phil, just back to dispositions, last quarter you talked about bundling assets based on geographies, is that the strategy here?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Yes. What we've – another observation as you look at some of these big portfolio is big fairly diverse portfolios aren't working well. They either end up getting broken up or they don't happen. For example, Cabot had a portfolio, large portfolio of $900 million plus and minus, that did not sell. They pulled it. They pulled I think in part because it couldn't break it up. And also because of that they didn't get the pricing they're hoping for. We are trying to sell assets in a way that our investment brokers and our local market teams believe will be well received by investors and not trying to create additional hurdles to jump over.

So it might be a Midwest portfolio or a city portfolio, but it's not going to be a national portfolio of 10 markets, maybe five or six years ago companies are pretty good, you could build in a few weak markets or weak buildings with a few strong buildings, strong markets and investors look over it. Investors are more cautious today, they will not, they will pass rather than take on assets that they don't consider strategic – strategically consistent with their objectives.

<Q – Mitch Germain – JMP Securities LLC>: Great. Thanks for the commentary. And then just quickly on SCLA, you mentioned some leasing on the million square foot development site. What's the next project there, is that something that's contemplated in your guidance for next year or is it more going to be based on preleasing?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: You know I'll probably take first part of that question with regard to guidance and then turn it over to Jeff in terms of kind of what's next from a real estate perspective. There really is no further activity contemplated in the guidance for SCLA. As we mentioned we now have a million square foot on lease. There's a little bit of leasing activity in the smaller space 15A and 15B. But there is no incremental activity contemplated in the guidance. Jeff, do you want to talk about?

<A – Jeffrey Phelan – DCT Industrial Trust, Inc.>: And as far as any new activity in SCLA, I think that what we are going to continue to look at is opportunities in the build-to-suit market. Also I think that you're going to see manufacturing start increasing in the Southern California markets where you're going to find more users that may want to own their buildings. And so we'll be open to build-to-suits, to own. Also we'd be open to just simply land sales in that particular part of the market, in Victorville.

<Q – Mitch Germain – JMP Securities LLC>: Great. Thanks. And Matt, best of luck with everything.

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Thank you very much.

Operator: [Operator Instruction] Next question we have is a follow-up from John Stewart of Green Street Advisors.

<Q – John Stewart – Green Street Advisors, Inc.>: Thank you. Matt, just a couple of follow-up housekeeping questions on the guidance if I may. First of all, what would your projection be for same-store NOI on a cash basis?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Again 0% to 3% up, well, zero and then 2%, 3% up.

<Q – John Stewart – Green Street Advisors, Inc.>: On a cash basis, not GAAP?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Both, they coincide.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay, got you. And the yields on the dispositions that you've got baked in for next year is the mid to high sevens that you gave us for the 4Q activity, is that comparable to what you are expecting next year?

<A – Matthew Murphy – DCT Industrial Trust, Inc.>: Yeah, I think that's right. I think it's obviously it will be a range, we think about it as much in terms of spreads to deployment as opposed to the absolute number of dispositions, but, yeah, that's certainly in the neighborhood.

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Hey, John, let's be clear, I didn't say mid to high sevens, I said low sevens to high sevens, seven a quarter, seven three quarters. Just to be clear.

<Q – John Stewart – Green Street Advisors, Inc.>: Okay. Thank you. And lastly, can we get any color on yields in market mix for the $50 million of acquisitions that you've got under contract?

<A – Philip Hawkins – DCT Industrial Trust, Inc.>: Large percentage of that is West Coast in one transaction and yields, rather wait till we close. But not inconsistent with what you've seen in the past from us for coastal acquisitions.

<Q – John Stewart – Green Street Advisors, Inc.>: Yes. Thank you.

Operator: And it appears that we have no further questions at this time. We will go ahead and conclude our question and answer session. I will now like to turn the conference back over to Phil Hawkins for any closing remarks. Mr. Hawkins?

Philip L. Hawkins, President, Chief Executive Officer & Director

First, thanks everybody for cooperating with the – that the one question follow-up I think it helps keep everybody a chance to get in the queue. And I appreciate your cooperation of that and I also appreciate your questions and your attention to our company. We had a great quarter. Looking forward to more of those, it's a lot more fun and we also hope to see many of you, if not all of you at NAREIT. Take care.

Operator: And we thank you Mr. Hawkins and to the rest of management for your time. We thank you all for attending today's conference call. The conference is now concluded. At this time you may disconnect. Thank you.