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DCT Industrial Trust, Inc. *(DCT)*

Q4 2012 Earnings Call

CORPORATE PARTICIPANTS

Melissa Sachs

VP-Corporate Communications & Investor Relations, DCT Industrial Trust, Inc.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

Jeffrey F. Phelan

National President of Development & Managing Director, West Region, DCT Industrial Trust, Inc.

OTHER PARTICIPANTS

Craig Mailman

Analyst, KeyBanc Capital Markets

Jamie C. Feldman

Analyst, Bank of America Merrill Lynch

John W. Guinee

Analyst, Stifel, Nicolaus & Co., Inc.

John J. Stewart

Analyst, Green Street Advisors, Inc.

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Brendan Maiorana

Analyst, Wells Fargo Advisors LLC

Mitch B. Germain

Analyst, JMP Securities LLC

Sheila K. McGrath

Analyst, Evercore Partners (Securities)

Eric Frankel

Analyst, Green Street Advisors

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the DCT Industrial Fourth Quarter and 2012 Year-end 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 that this event is being recorded.

And now, I would like to turn the conference over to Ms. Melissa Sachs, VP, Corporate Communications and IR. Ms. Sachs, please go ahead.

Melissa Sachs

VP-Corporate Communications & Investor Relations, DCT Industrial Trust, Inc.

Thank you, Keith. Hello, everyone, and thank you for joining DCT Industrial Trust Fourth Quarter and Full Year 2012 Earnings Call.

Today's call will be led by Phil Hawkins, our Chief Executive Officer; and Matt Murphy, our Chief Financial Officer, who will provide more details on the quarter's results as well as our guidance for the balance of the year. Additionally, Jeff Phelan, our President, will be available to answer questions about the markets and our real estate activities.

Before I turn the call over to Phil, 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 limitations, 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 call, we may refer to certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures are available on our 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, DCT Industrial Trust, Inc.

Thanks, Melissa. Good morning everyone and thanks for joining our call. We had a very busy and productive fourth quarter, an excellent way to finish off a really great year.

During Q4, our operating portfolio continued to perform well. We acquired 21 buildings for \$242 million. We sold seven buildings for \$111 million and our development program is progressing very well in terms of both new starts and more importantly lease up. These reflect – these results reflect many months and even years of effort by many people within DCT and I'm very grateful for their talents, hard work and accomplishments.

Let me start off with highlighting our key operating metrics from the fourth quarter, which reflect continued progress as well as strengthening market fundamentals. Occupancy in our consolidated operating portfolio increased 50 basis points over last quarter to 92.3%. For the year, consolidated operating occupancy increased to 170 basis points.

Same-store NOI increased 8.6% on a cash basis and 4.9% on a GAAP basis driven by both higher occupancy and higher effective rents. And rental rates increased 15.3% on a GAAP basis and 3.4% on a cash basis, reflecting significantly reduced rental concessions as well as gradually improving base rents across our markets.

Current leasing activity is encouraging. We did see a drop in activity in December, in the first half of January, which is not unusual given the holiday season, but also could be partially explained by fiscal cliff concerns. However, in the last few weeks, proposal activity is back to normal. My expectation is that 2013 will be pretty consistent with 2012 in terms of activity and net absorption.

And like 2012, I'm sure that there will be periods where that activity is more robust as well as less so. But overall, I think tenants will continue to look for opportunities to upgrade and consolidate the distribution facilities to reduce their overall cost.

Small tenants also continued to be more active than a year ago, and my expectation is that this trend will continue, if not further strengthen as the housing recovery gains momentum. With supply in check and demand remaining steady, I'm optimistic that effective rents will continue to improve across most markets. And in a few select markets, we will also see continued growth in base rent as well.

In response and as reflected in our leasing and operating metrics, we continued to look for opportunities that push effective rents, rent bumps, and other related economic terms, sometimes at the expense of quick occupancy gains as these will drive long-term growth and values.

Moving on to capital deployment, we had a very successful quarter acquiring \$242 million in very high quality assets. This includes the purchase of our partner's interest in DCT Fund 1 for an incremental investment of \$78 million. We know the real estate very well and we're able to accommodate the needs of our partner and buy it at pricing that we considered attractive.

Shortly after acquiring the interest, we were successful at selling the two buildings that didn't fit with our long-term investment strategy. The remaining four buildings are expected to generate a year 1 cash yield of 6.5%, and after free rent on a few recently negotiated leases burn-off, a stabilized cash yield of 7.2%.

In addition to the joint venture acquisition, we closed on \$164 million of acquisitions in the quarter which are expected to generate a year 1 cash yield of 6.3% and a stabilized yield of 6.6% with further growth expected in the future from annual rent bumps as well as rents rolling up to market.

In addition to acquisitions, we were very focused on prudently expanding our development pipeline to grow the company and create long-term value. During the quarter, we signed a lease at our Northwest 8 Distribution Center in Houston. This lease will commence in March at rents significantly higher than we projected when starting the building.

Other development activities of note include, we completed the 177,000 square-foot Newell Rubbermaid expansion at SCLA. We commenced construction on two new projects. The fully pre-leased 650,000 square-foot Slover Logistics Center in the Inland Empire West, and a 267,000 square-foot DCT Airtex Industrial Center in North Houston.

We are committed to start construction on our 133,000 square-foot Beltway Tanner project in Northwest submarket of Huston this quarter, a site which we'll be working on for quite some time, but formally acquired in December. We signed an agreement for 130,000 square-foot Build-to-Suit at our 8th and Vineyard project in Inland Empire West.

Overall, we are – our pipeline of under construction activity – under construction and recently completed development projects is 70% leased with good activity on the remaining spaces. I'm confident that market teams will exceed their lease-up in economic projections on each of our projects underway.

In addition to Beltway Tanner in Huston, we closed on the acquisition of four additional development size located in Southern California, Seattle and Atlanta, which will support approximately 3 million square feet of distribution buildings. Site planning and pre-leasing are underway at each of these projects.

And last, but not least, dispositions. We are successful in selling seven assets, generating proceeds of \$111 million. These buildings were located in – these sites are located in Atlanta – these buildings are located in Atlanta, Columbus and Memphis.

In addition, we have a 400,000 square-foot building located in Memphis that is under contract with sale with the buyer's earnest money non-refundable.

Package out for our remaining San Antonio assets with offers expected to be called for later this month. While we are price sensitive as always, I'm encouraged by early investor interest in the portfolio. We continued to make good progress in selling assets, which we consider to be low growth or otherwise not consistent with our investment and ownership objectives as we actively manage our portfolio, improving future growth and focusing on fewer markets.

In summary, I'm very pleased with all we've accomplished in 2012. We continue to make great progress strategically by repositioning, strengthening and focusing our portfolio through acquisitions development and asset sales and our operating portfolio continues to perform well, demonstrating consistent improvement in terms of occupancy, rental economics and same-store NOI. The fourth quarter is a great lead-in to a new year in 2013 and I look forward to continued success and progress for DCT industrial.

With that, let me turn the call over to Matt Murphy to provide further detail on our 2012 results as well as 2013 guidance.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

Thanks, Phil, and good morning, everyone. Thank you for joining us today. I'm going to provide some color on our fourth quarter results and then walk you through our guidance for 2013. Our fourth quarter was very strong, particularly with regard to the continuing improvement in operating results. As Phil mentioned, our consolidated operating occupancy increased 50 basis points in the fourth quarter, 2012 is a third straight year in which occupancy has improved and our year-end occupancy is at its highest point since the great recession.

Over that span, our consolidated operating occupancy has increased 700 basis points to 92.3%. While that number is a little below third quarter guidance, the shortfall is almost entirely attributable to transactions during the quarter, including the joint venture acquisition Phil mentioned, which brought down operating occupancy by

approximately 15 basis points due to vacancy in the Memphis and Atlanta assets, which we sold shortly after year-end.

Additionally, the 2.1 million square feet of buildings we sold in the fourth quarter were 100% occupied, which brought down occupancy another 25 basis points. If you eliminate the impact of these transactions, the occupancy of our 930 portfolio of assets was 92.7%. This was despite the fact that short-term occupancy was only 1.3% well below plan and previous years' experience. The most important way to think about our year-end occupancy is that we are ahead of plan in terms of long-term leasing and start the year off on an excellent trajectory.

Our same-store results were another bright spot for DCT in the quarter and for all of 2012. Same-store net operating income increased 4.9% on a GAAP basis and 8.6% on a cash basis in the fourth quarter, as average occupancy in the 53.5 million square-foot same store pool was 170 basis points higher in the fourth – higher than the fourth quarter of 2011, and with higher effective rents.

For the full year of 2012, same store NOI rose 2.8% on a GAAP basis and 5.7% on a cash basis, bringing us in at the higher end of guidance in both cases. Sequentially, same-store results were also very strong. Fourth quarter net operating income grew 4.4% and 4.6% GAAP and cash, respectively, from the third quarter of 2012 based on an increase in average occupancy of a 120 basis points and a \$1 million decrease in operating expenses. When you add it all up, we finished the fourth quarter of 2012 with funds from operations of \$0.11 per share, slightly ahead of our own projections, and \$0.42 per share for the full year of 2012, above the top end of our initial guidance for the year and an increase of 5% over 2011.

Turning to capital funding, we had a very active year on the real estate front, which led – which in turn led to a great deal of activity in the capital markets arena. As you'll recall, we began the year talking about how we would match fund our growing deployment efforts, with a combination of dispositions and the proceeds from equity issuances.

For the year, that strategy has worked out very well. We invested approximately \$338 million on acquisitions during the year and spent an additional \$116 million funding development. The capital for these activities has come from dispositions of \$285 million, including year-end 2011, transactions as well as the three buildings already sold or under contract to sell in 2013, plus \$172 million in net proceeds from equity issuances.

Taking into account all of these transactions, we were able to match fund with a difference of only \$3 million based on total activity of over \$900 million. All of this leaves our balance sheet stronger and with excellent flexibility to execute on continuing real estate opportunities in 2013 and beyond.

Included in the equity amount mentioned earlier is just under \$60 million from the sale of shares under our ATM program, which we utilized for the first time since 2010 in order to fund the joint venture acquisition. Given the nature, size, and timing of the transaction, we felt the ATM was the ideal way to fund this acquisition.

We sold approximately 9.5 million shares at an average net price of just over \$6.33 per share and received proceeds of \$59.2 million, which was approximately what we needed to pay for the four assets that we ultimately retained in the transaction.

Now let me take you through some of the details of our initial guidance for 2013. We have initially – initiated our 2013 FFO guidance with a range of \$0.40 to \$0.45 per diluted share. We have based our guidance on an economic backdrop of continued modest economic growth which we believe will generate positive net absorption of industrial space at about the same levels as 2012. We believe new supply will remain muted. And these supply-demand dynamics will result in improving fundamentals in virtually all of our markets in 2013.

More specifically our guidance is based on the following assumptions. Occupancy for the consolidated operating portfolio is expected to average between 91% and 94%. As is typically the case, we expect occupancy to decline a little at the beginning of the year as December 31, leases expire and seasonal short-term tenants vacate. Although as I mentioned earlier, we have lower short-term occupancy than in years passed, so the impact of this will not be as significant.

However, we do have somewhat higher-than-usual known – non-renewals in the first quarter. So we still expect occupancy will fall in the first quarter in a similar fashion to the past couple of years. We expect occupancy will then build during the year and end somewhere between 93% and 94%. Same-store net operating income is expected to increase 2% to 5% on a cash basis and 1% to 4% on a GAAP basis as we expect continuing occupancy increases and positive rent growth in many of our markets.

It's important to keep in mind that these projected operating statistics do not take into account potential impact of any acquisitions or dispositions, but they do reflect the projected impact of our current development portfolio stabilizing and [indiscernible] (15:30) operating portfolio. It should be noted, however, that our same-store results do not contain development or redevelopment assets until they have been stabilized throughout both periods.

Shifting to acquisitions, we continued to uncover opportunities to deploy capital of attractive returns into target markets and sub markets, which we believe will continue to perform well over time. Consequently, we have included in our guidance \$100 million to \$200 million of acquisitions. These acquisitions will be a combination of stabilized assets and value-add opportunities in a mix, which is likely to be similar to 2012.

Additionally, we are planning to start construction on between \$125 million and \$200 million of development projects in 2013. All of the project assumed are on land we currently own as we continue to focus on putting land into production quickly, in markets where we have great visibility into fundamentals, and confidence in leasing activity.

From a capital market perspective, we plan to fund the capital deployment I described from the proceeds of property dispositions and where appropriate, the issuance of equity in a manner similar to 2012. We expect that the combination of investment and development and value add acquisitions, as well as the effective disclosing of non-strategic assets will cause short-term dilution of approximately \$0.01 per share in 2013.

With regard to the \$175 million of debt we have maturing in June of 2013, we intend to refinance that debt in conjunction with an extension and re-pricing of our existing bank facilities which is newly complete. This week, we have received final commitments to extend our revolving line of credit for four years, extend our existing \$175 million term loan for five years, and add an additional \$175 million tranche of unsecured term debt to refinance the June maturity.

In addition to the extra term we will achieve on these facilities, the existing pricing will be reduced, providing us with an interest savings of about 50 basis points on our outstanding bank debt at our current leverage.

In summary, we believe that 2013 will resemble 2012 in many respects. We expect market fundamentals will continue to strengthen, albeit at a somewhat slow pace. We believe the investment sales market and capital markets will remain open, allowing us access to attractive sources of capital to fund our investment activities. But most importantly, we expect our market teams to continue to do an outstanding job, focusing on our customers, and sourcing – and executing on prudent real estate transactions that will continue to upgrade our portfolio and to create value for our shareholders.

With that, I will turn it back over to Keith for questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin the question and answer session. [Operator instructions] And the first question comes from Craig Mailman from KeyBanc Capital Markets.

Craig Mailman

Analyst, KeyBanc Capital Markets

Q

Good morning, guys. Question on the rent spread. It was obviously a pretty positive surprise here that they were that positive certainly in the year. Is it sustainable you think, that sort of level, particularly on renewals? And then, maybe could you give us some insight into the 11% roll-down on new leases? Was that just older vintage spaces that you guys were able to lease up and that's the discrepancy?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Craig, this is Phil. Let me take a first pass of that and then hand it over to Matt for a little more detail. I think we've been pretty consistent for a while, but that metric is going to move around a lot based on mix. I think that the overall direction is encouraging and reflective of the fact that rents are improving across all – I think all markets, effective rents, certainly. But mix matters and timing matters. So I think that we had a great quarter on that metric. But I don't think I would shine a brighter light on that today than I would two quarters ago whenever when perhaps our metric wasn't quite as favorable. I'll look at the trend as opposed to a specific data point. Matt, maybe you can comment on the 11% in the mix of that that drove that number lower.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Yeah, first of all, I agree with Phil's comments, but it really is there is a mix. There is a very large transaction in Phoenix where we had a tenant moving out of space that was very highly improved. And as a result there was sort of outsize rent roll-downs on that specific space. I think by and large, Phil is right, which you look at is the combination of improving effective rents and market rents in many markets, you'll see the trend line continue to improve over time and I expect that to continue, but I also expect sort of the volatility of it to continue. And I think particularly on a cash basis, cash tends to be more volatile than GAAP.

Craig Mailman

Analyst, KeyBanc Capital Markets

Q

What do you have baked into the guidance for rents spreads in 2013?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Well, we haven't guided to it historically or this year, but I think my expectation is that you'll continue to see GAAP spreads be positive and probably progressively so. And cash ones I think are likely to be positive, although they'll be volatile from quarter to quarter. We have a couple of large leases. There is a 700,000 square-foot one that was signed in 2005, that it was really at the peak of the market. And when those roll, it's going to create volatile results.

Craig Mailman*Analyst, KeyBanc Capital Markets*

Q

Okay. And then, just on the match funding side, you guys have been pretty successful here, just curious maybe one, are you guys putting – how much San Antonio is in that package on the market? And then two, maybe just some thoughts about what you're seeing in the sales environment in terms of demand and pricing and is there any potential that your dilution expectation that you guys could beat that if pricing comes better on some of these assets?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

This is Phil. We don't have it – we did not put in an asking price in the San Antonio package. So – but we certainly have expectations, but we've not gone publicly with those expectations. And for marketing reasons and other reasons, we're not doing it. So from a sales marketing perspective, my sense is the market is pretty good, strong demand may have picked up, if anything, in the last quarter for a variety of different reasons. There are more names in the business that we're seeing than we'd get, say, six months ago, new names to the industrial sector, which clearly creates opportunity to be a seller, makes it much more competitive to your buyer, which is why we continue to focus with our market teams to try to find one-off deals, take on a little bit more risk if necessary in the right buildings, in the right markets, in the right submarkets to try to compete in a very competitive world. But cap rates have probably moved down a little bit in the last quarter.

The one thing that probably hasn't happened yet is the spread between Bs and As or between secondary markets and primary markets hasn't narrowed like I thought it might have. It's held pretty constant. So I think that as more capital tries to buy industrial and is frustrated by that attempt, that capital continued to flow where it's not today, or where it's not as prevalent which is stabilized assets in the secondary markets as well as probably you've been taking on more risks. I don't know if that answered your question.

Craig Mailman*Analyst, KeyBanc Capital Markets*

Q

Yeah. And just one last question. You said there's more people in the market, more pension money and more private equity type money chasing the assets?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

Pension money, pension advisors, private equity funds that are both industrial focus, as well as general real estate funds, foreign money. The Canadian has benefited for a while, but – so is more Canadian names going to be active, European names, you name it, pretty much all categories of institutional capital seem to be attracted to the recovering industrial sector and is a sector that always is underweighted in most investors – real estate investors' portfolios anyway. So it seems – I guess, I think – well, I'm not sure it showed up yet in the numbers that the various services report into those closed deals. My sense is that – and our sense collectively internally is that cap rates have probably come down 10 basis points to 20 basis points from the last quarter.

Craig Mailman*Analyst, KeyBanc Capital Markets*

Q

Okay. Thank you.

Operator: Thank you. And the next question comes from Jamie Feldman from Bank of America, Merrill Lynch.

Jamie C. Feldman*Analyst, Bank of America Merrill Lynch*

Q

Great. Thank you. I want to go back to your comments on you think supply will be relatively in check. Just – can you give us a thought just across your markets and portfolio just what gives you comfort saying that? It does seem like the REITs are starting to ramp up their pipelines, it's kind of what's going on with the private guys, and where you think we stand kind of this time next year?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

Well, I think when you look at what's under construction and what's expected to start in the markets, the markets that we're focused on, I don't see supply being – I see supply staying in check. Southern California, the buildings under construction and likely to happen are large box buildings and Jeff can comment more if you want, but it strikes me a lot of that – lot of good leasing activity in those buildings, lot of growth in that area. Houston, demand is strong. There's construction, yes, but it's relative to the vacancy rates that are in the market and relative to net absorption. Again I consider that to be in check. If you look at the other coastal market similar comment.

Honestly, we're not that active in Indianapolis. But I know there are some buildings under construction there. Dallas, where there's some buildings under construction, strong net absorption, is taking those buildings. So I can go almost market by market maybe you've got a specific example you want to sort of test me on but, I don't – there's clearly more construction today than it was two years ago. But the construction that's happening is funded all by equity, whether it be REITS and clearly those on this call probably see more in the REITS and therefore extrapolate that perhaps more broadly.

And then, the private guys are also funding their deals primarily – at least the speculative construction entirely by equity. Forward commit structures, joint venture structures, whatnot, and that equity coming from institutional investors is a lot more disciplined than perhaps the banks might be if the spigot was open on lending. And we've not seen any indication that banks are taking any more risk in their portfolio, lending portfolio with respect to construction.

Build-to-suits, different matter, which is why you see build-to-suit pricing pretty thin because you can get financing if the credit is decent but when it comes to speculative construction, I think the capital has remained very disciplined and I hope it will, no guarantees, that's my expectation at least for the next 12 months.

Jeffrey F. Phelan*National President of Developmnet & Managing Director, West Region, DCT Industrial Trust, Inc.*

A

Jamie, this is Jeff. A couple of other things that will keep it in check. Number one, land sites are still very difficult to find. And number two, the entitlement process in most of these markets is also very lengthy. So I think those two elements will also add to that keeping in check.

Jamie C. Feldman*Analyst, Bank of America Merrill Lynch*

Q

Okay. And then, when you think about your land bank and your pipeline, I mean, is this a good time to aggressively ramp it up even more than what you've talked about?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

I think we're doing exactly what we've been talking about which is buying sites in markets that we believe are ready for development. And buying sites at economics that work today as opposed to waiting for some leap in rental rates. And where we think demand is likely to prove us successful. We have bought – Seattle is a good example. We bought a project there. We call [ph] it The Oversight (28:24) of that is a two-phase project. We're under way. We're at the site preparation right now, final site planning, and then also a permitting, zoning and other approvals. So we'll hopefully start in the third quarter of this coming year.

There's another building behind it when we lease the first one. So it's a two-phase project which we've said one or two-phase projects that we can put in production pretty quickly. That's true, really across the way it's still my view that we're not rewarded, nor is it prudent to buy multiple years of future land. So I'm happy there are a few markets where I like to see us acquire land. There are a few markets that we're working on buying land. And in fact, maybe even have someone under contract. But those would be also markets that people would consider to be really ready for development and maybe with some development already under way.

Jamie C. Feldman

Analyst, Bank of America Merrill Lynch

Q

Okay. And then just my final follow-up on that is, so we're getting closer to the Panama Canal opening. There's been a lot of talk about strikes at the different ports, East Coast, West Coast, and then a lot to talk about same date delivery and the retailers wanting to get closer to population centers. Are you thinking differently about the markets you want to be in at all or as you're thinking about where you would develop over the next couple of years?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Well, there are a lot of different trends that can have some impact on our business, but they all lead to one thing in my opinion, the benefit of buying in-fill locations, Class A highly functional buildings in markets with strong deep diverse demand as opposed to markets where that demand may not be as diverse or where there may be plentiful land forever – next interchange is out. So I think that reinforces what we're trying to do, which is acquire real estate debt will be well served, perform well as the world changes. The world will change. A number of those factors you mentioned I think will be small changes at the margin, but they're indication of the noise and the changes going on around us, not just in our business but every business, which is why I think we will continue to focus on the kind of real estate we're buying, which is in-fill, functional location, primary markets with good, deep, diverse demand.

Jamie C. Feldman

Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Thanks.

Operator: Thank you. And the next question comes from John Guinee from Stifel Nicolaus.

John W. Guinee

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Well, nice quarter, guys. Actually a lot of questions I was going to ask have already been addressed, but just one question for you when I look at the land bases you've incurred, it looks fairly reasonable with a couple exceptions. You're in at Southern California, Slover, and then Rialto at about \$800,000 an acre, that seems awfully high. Is there something unusual about those markets? And then, also you're in at – Houston it looks like around \$250,000 to \$330,000 an acre also seem pretty high. Is that – am I just behind the times or what can you tell me about those land base situations?

Jeffrey F. Phelan

National President of Development & Managing Director, West Region, DCT Industrial Trust, Inc.

A

Yeah. The Slover, John – John, this is Jeff. The Slover property was purchased for roughly about \$10 a square foot, so that would be roughly \$450,000 an acre. So I don't know where you got your numbers. I don't know if you took the total number that would be under the building cost, maybe that's where it came from. But the price per square foot for those properties are in check, and if anything, they're below market in my opinion not only in Houston, but also in Southern California.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Maybe probably Matt afterwards we will work on the numbers to make sure you are looking at land numbers. It's hard to do on the phone.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Or, John, I'd be happy to talk to you as well.

John W. Guinee

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. Great Thank you.

Operator: Thank you. And the next question comes from John Stewart with Green Street Advisors.

John J. Stewart

Analyst, Green Street Advisors, Inc.

Q

Thank you. Matt, I had a couple of questions on the guidance. I guess first of all, maybe I missed it, but did you give a specific dispositions number?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

No, John. the way I characterize it which is the way we think about it and in fact the way it worked out in 2012 is we talk more specifically about deployment and acknowledged the fact that we will fund that through what's likely going to be a combination of both dispositions and the issuance of equity. I think we're in a good spot today that quite honestly I think the markets are receptive. We could fund entirely with dispositions or quite honestly entirely with equity, but we will continue to evaluate the right mix, the right source for the right opportunity and approach it that way. So it's really the combination of dispositions and equity will add up on a match funding basis to the combination of deployment.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

And have you issued anything on the ATM so far in the first quarter?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

No, we have not.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

Okay. I know that you obviously don't want to talk about San Antonio specifically, but could you kind of help us think about your appetite for and kind of put yardsticks around how big the disposition pipeline could be?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

Well, I think it could be as much as unlikely to be, but as much as all of our acquisitions plus their cash disbursements on development, unlikely to be that. But again, we've not put a yardstick exactly what mix that should be, but 2012 is probably a good guidepost, which is some combination of the two.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

And how about a sense for a weighted average stabilized cap rate?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

Of dispositions?

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

Yes.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

I'd say, it's 7% – between 7% and 8%. I think it's going to be a mix that's similar – we're really focusing on assets that are likely to be well received in the market, and we'll mix that with some user sales from time-to-time, which as we've talked about will drive the averages down. But I think guidance and expectations are based on sort of a range between 7% and 8%. And the mix of that will be – it's not that we're necessarily just targeting the lowest cap rate, because there are strategic implications involved as well, but I think you're likely to see the outcome fall within that range.

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

There will be some low 8% cap rates probably. As we sell some – sort of gives us some flex space perhaps and hopefully there will be some really low cap rate because we sell [ph] some buildings that (35:19) uses very attractive prices, but I think Matt's right, kind of low to mid-7% would be my guess.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

Okay. That's helpful. Thank you. Matt, on the same-store guidance, could you give us a little bit of a sense where the components? And specifically -wondering how much an improvement in net effective rents or burn-off of free rent might be contributing to 3.5% at the midpoint?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, I think it is a combination, again, similar to what we've seen in 2012, of occupancy because we are still expecting to have average occupancy increases in our same-store pool sort of in excess of 100 basis points at the midpoint. And the combination of net effective rents both on future transactions and the continuing improvement in the burn-off, the progression of rent bumps, as well as the burn-off of free rent and it's going to be a combination of the two. But I don't think that is that dissimilar to 2012, although I think occupancy increases will obviously get tougher on a comparative basis as the year progresses.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

Right. I was just kind of trying to get a sense for how much was already baked in and how much was contingent upon that occupancy gain.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

I haven't looked at it that way. My tummy tells me sort of half and half. Again, I look at occupancy gains that are similar on average for the full year as what we experienced in 2012. And the mix in 2012 was roughly 50-50. I haven't analyzed exactly that way, but it's got to be pretty close to that.

John J. Stewart*Analyst, Green Street Advisors, Inc.*

Q

Okay. That's helpful. Thank you. And then lastly, Phil, just curious if you've got any theories on why the construction lending spigot is still tight?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

I'll let Matt – Matt spends more time with bankers than I do. I'll let him. Matt, you're better at that than me.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, I think at the end of the day, there is still a pretty meaningful focus on credit and performing loans – nonperforming loans and that doesn't mean that they're not going to be paid back. But from a capital charge perspective, the way the banks think about it, speculative loans are very expensive. And they – so the combination of the risk aversion hasn't completely gone away. The credit guys are still in much better control of the conversations in the banks today, than the business development guys where who the – who were the only ones anyone was listening to in 2007 and 2008.

I think it's interesting you talked to the bankers nine months ago and they would have told you that they thought that the resolve probably would have cracked a little and it hasn't. I think most people that have observed the

banking industry over long periods of time would expect it to get a little bit looser as time progress. But quite honestly, it hasn't happened yet. And I think it's a combination of the regulatory environment, the capital charges that they get. And just it's – some of those wounds are still reasonably fresh and it hasn't changed much yet.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

John, this is not in your question though it prompts a thought I have, with respect to the banks, and that is the banks and insurance companies were not interested it appears to be taking on risks in terms of construction lending, have been very aggressive in secondary market and Class B building lending, which is really what's helped open up the spigot for our ability to access the market and sell buildings in Memphis, Columbus, et cetera. And that – so that has been a benefit to a lot of people, including the buyers of those assets. I mean, they're getting good spreads. So banks are absolutely eager to lend money as witnessed by their pricing of our new facility, but thankfully, and I think some regulatory impact is limitations. They've not yet turned their attention to the construction lending world.

John J. Stewart

Analyst, Green Street Advisors, Inc.

Q

Great. Thank you.

Operator: Thank you. And then next question comes from Mike Mueller from JPMorgan.

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Q

Hey. Most things have been answered, but in terms of the first quarter occupancy drop, about how significant can that be? I think last year – was it down between 50 and 100 bps?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Right. Like I said, that kind of earmarked the last two years, Mike, which is what I said, as I think it will fall sort of at a similar fashion, could potentially fall at a similar fashion to that. It's an interesting dynamic and I mentioned that we had some higher-than-normal known move-outs, so our retention will be undoubtedly lower than what we've experienced over the last couple of years. It's really for pretty good reasons. We've got – I'm thinking of a few of the larger ones that we know are going to move out. We've got 150,000 square feet in Atlanta for a restaurant oriented 3PL that is they're building a twice – almost twice as large a building right down the street.

And it's because of expansion in their business in the specific location that we can accommodate. We've got almost 200,000 square feet in Chicago that we know is going to move out. This is a metal supplier, sort of an aerospace supplier, that's doubling their space right down the street. So we've been the beneficiary of some consolidations I think in many ways in our development portfolio. It's part of the dynamic that's going on. Sometimes you're a loser in that equation and that's happening. It's sort of a bad thing for a good reason that's happening on a couple as big spaces in the first quarter.

Michael W. Mueller

Analyst, JPMorgan Securities LLC

Q

Okay. And I know this is a small number, but management fee income, I'm assuming nothing changes too dramatically even with the buyout of the JV partner?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah. You will – I mean, specifically, you're probably going to lose 10%, 12% of that number next year.

Michael W. Mueller*Analyst, JPMorgan Securities LLC*

Q

Okay. Got it. And then, last thing, just – I know we talked about this before in terms of disclosure. I was wondering if it's possible in future releases to maybe put some sort of a sequential called a same-store type concept around occupancy because you'll tend to have a lot of acquisition and disposition activity and it can be hard to kind of cut through all the transactions to see what's really happening to the operating portfolio from a leasing perspective. So just a – two cents on that if you wouldn't mind?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

You're not the first person to say that, Mike, and you can rest assured that it'll happen, particularly when we have a lot of activity that we've had this quarter.

Michael W. Mueller*Analyst, JPMorgan Securities LLC*

Q

Great. Appreciate it. Thanks.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yes.

Operator: Thank you. And the next question comes from Brendan Maiorana from Wells Fargo.

Brendan Maiorana*Analyst, Wells Fargo Advisors LLC*

Q

Thanks. Good morning. I had a couple of quick ones. So, Matt, on the development spend for the year, I think the starts you mentioned were \$125 million to \$200 million. What do you think you actually spend during 2013 if you're sort of inside [ph] those goal posts (42:33)?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, I think – so we've got about \$35 million left to spend on the stuff that's already under construction. I suspect we'll spend between \$75 million and \$125 million probably on the 2013 starts, obviously timing has a big impact on that. We've got some entitlement stuff to continue in Seattle. But I think those are pretty good numbers. I think we're likely to spend everything that's left to spend or darn near on the existing construction. And the starts for the remainder of the year are pretty well spread throughout the year.

Brendan Maiorana*Analyst, Wells Fargo Advisors LLC*

Q

And is that – if I look at your predevelopment projects, it's the starts number, as you guys kind of define it, include – is it sort of all those projects, or the majority of those projects – are there other projects that are outside of the pre-development pipeline? How should we be thinking about that?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, as I mentioned in my comments, the guidance that we've talked about is entirely on assets that we own today. And that – but if you look in the pre-development there is multiple phases in a couple of instances. Phil mentioned the – we call it White River actually in the supplemental in Seattle, where we'll start one phase probably and not start with the other. So it's a bit of a mix, but what I can tell you is what's in guidance is only on land that we own today.

Brendan Maiorana*Analyst, Wells Fargo Advisors LLC*

Q

Yeah. So I guess if I look at that cost incurred on those pre-development assets, it's \$67 million. And if you spend \$75 million – let's call it \$100 million between the midpoint of that \$75 million to \$125 million, you're really only spending an incremental like \$35 million kind of give or take on that stuff?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

The number I think will likely be higher than that. Again, it all depends on timing.

Brendan Maiorana*Analyst, Wells Fargo Advisors LLC*

Q

Okay. All right, that's helpful. And then just the only other one I had, I think we're talking about this or you were talking about this a little bit earlier in the Q&A but with respect to the straight-line rent number, if I look at where you guys run right now, it's straight-line rent as a percent of overall rent. It's probably around 2.5%, maybe 3% of that overall rent number. It's about in line with the long-term average, but it strikes me that maybe it's still a little bit higher than where you probably could run the portfolio if you are getting to 93%, 94% occupied by the end of the year. Where do you sort of think that number can kind of shake out or that ratio can shake out longer term?

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, I think you're thinking about it the right way. What I'll tell you, and maybe I shouldn't admit this, but what I'll tell you is when I try and predict that number, it's extremely difficult to do. I think what will happen, we've gone through a period where free rent – and we're past it, but we're still feeling the effects of the fact that we've gone through a period where free rent was a far more prevalent part of the equation than is normal, and what that does is it really sort of pulls forward the free rent component of rent. And so I think what you see is I think it's likely that the historical average, if you're looking over the last five years, will be higher than what the average will be for the few years after we get out of the free rent cycle, if you follow me. Because what's happening is again, the percentage of free rent that is – the percentage of straight-line rent that is recognized early is far higher than a free rent heavy environment than where you have a month free and 2% bumps over five years. So I think you're going to see that number end up as a lower percentage than what you probably think of is a historical average, if you follow me.

Brendan Maiorana*Analyst, Wells Fargo Advisors LLC*

Q

Yeah. That makes perfect sense. So when do you think that dynamic started getting better or like – I guess is it sort of in a normalized environment as we sit here in the first quarter of 2013, and I sense that it's got – it's gotten better and probably the second half of 2010, it got better throughout 2011, it got better throughout 2012. Like, I'm

just sort of wondering, when that – where was it in 2012 relative to where you sort of think the long-term normalized environment ought to be?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Well, I'm not sure I've ever thought about it exactly the way you described it, but what I can tell you is that I think the point of inflection really started in early 2012. The reason I say that, so you just look at the average free – again I think by far the biggest driver of this, rent bumps cancel each other out. If it's a pure rent bump environment, they've effectively cancelled each other out over time. But 2012, and we've talked about this in a number of different ways, is really when you've started to see dramatic decreases in free rent. I mean, our fourth quarter average free rent per number of months per year of term was [ph] 0.27 (47:38) months per year. And that number is – we haven't been anywhere near that in four or five years. And that really – it started to decline your rate in 2011 really, but it was declining modestly for a long period of time. And it really dropped dramatically throughout 2012. It was better in early 2012, but it's gotten much better as the year has gone along. Like I said, it was [ph] 0.27 (48:00) months in the fourth quarter. It's 0.35 months for the year. So you can really see the trajectory start to drop. I think 2012 is when you really started to see the impact of that. It's hard for me to think about it in sort of longer year-over-year because it's really a dynamic layering that's going on, again easier for me to think about the trend line and try and predict any single point in time.

Brendan Maiorana

Analyst, Wells Fargo Advisors LLC

Q

Sure. Okay, now that's very helpful. Thanks.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Yes.

Operator: Thank you and the next question comes from Mitchell Germain from JMP.

Mitch B. Germain

Analyst, JMP Securities LLC

Q

Good morning, guys. Phil, just curious in terms of your – how you're thinking about speculative development in terms of looking at that \$125 million and \$200 million of starts. Are you going to look to manage the amount of exposure you have to expect development?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Look about it in three ways. First way, we think [ph] is essentially (48:54) the market. Are we confident in our ability to build a building in a location that we believe will be successful and clearly there's risk there, but we want to make sure we're as confidence as you can possibly be in that kind of business. The second one we think about it is management balance sheet and making sure that the non-productive assets that we're incurring during lease of construction period of time and beyond do not put our metrics into a spot that would sacrifice balance sheet quality. And then the third way we think about it is risk assets as a percentage of total assets, and we've said 10% to 15%, any one point in time, no more than that. Then it had to be – it's not a goal to get there. It's a goal not to get over that. Should – no more than that should be in a form of risk assets, i.e., unleased development and value-add assets.

I guess the last thing that I'll look at is that we're getting paid for the risks. I've been an advocate for now sometime, going back to probably 2011 when we started doing more value-add acquisitions and then later into 2011 and into 2012 as we started doing speculative development, that – as long as we are comfortable in underwriting the locations and the buildings, and we are happy with the premium we're getting on our risks and our efforts, that I would rather do that and build a building that we love long terms. So we're building long-term buildings that we want to own long-term, not – we're not in a merchant building business. But I am much more comfortable putting my capital and our resources – people resources into that effort than competing with everybody else out there on the non-risk assets and non-risk development.

Clearly if we have a great land site and a unique use and we think – love build-to-suit. I mean, I'd rather make more money with less risk, believe me. But I've been comfortable with the dynamic that we've seen so far of the risk return balance, at least, as we see it. And we may see it wrong, but we – that's how we see it.

Mitch B. Germain

Analyst, JMP Securities LLC

Q

Great. And, Matt, what was available on the ATM at this point?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

So we used \$9.5 million out of \$20 millions, so you got \$140 million recurrent stock price, plus or minus.

Mitch B. Germain

Analyst, JMP Securities LLC

Q

Okay, great. Good quarter, guys. Thanks.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Thanks.

Operator: Thank you. And the next question comes from Sheila McGrath from Evercore.

Sheila K. McGrath

Analyst, Evercore Partners (Securities)

Q

Yes. Phil, could you talk about the buying of the joint venture, how that opportunity came about? Did you have to match other people's offers, and if you think there is any other JV buying opportunities for you?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

It was entirely off-market for a variety of reasons. One, it's a portfolio and a conversation we've been having with our partner for quite some time. Because of the CMBS debt on the portfolio and the inability to split the portfolio up, I think it was our collective belief that marketing it as is in one swoop wasn't practical anyway. And then, we were able to respond to a need that, a partner that frankly who chose not to be in the business in the U.S. with us and an opportunity to buy the assets. So I think they should feel it's fair, but clearly, we're happy with. So I hope both parties went away and said, you know what, we're happy.

In terms of other opportunities, look, we've got good partners, good relationships, good portfolios, have good dialogs with those partners, an opportunity to do something that is mutually beneficial that is different than the

current status quo, yeah, we'll absolutely be available to have that discussion and hopefully make that happen. But it's not our goal. We're not here to try to push partners out or whatever. I mean, we're here to respond to their needs and happy with the current business, but also mindful that if there are opportunities there that are mutually beneficial, we're all over it.

Sheila K. McGrath

Analyst, Evercore Partners (Securities)

Q

Okay. And then 2012 was pretty active on the acquisition front. If you could give us an idea how the pipeline looks right now, are there any portfolios that you're looking at or that you're aware that are of interest that might be coming on the market?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Pipeline is good, but still a fair amount of work to do in most of that pipeline with a couple of interesting opportunities that may or may not happen. I think in terms of active portfolio – we never tried to signal anything in the past nor do I want to do that now. But given the competitiveness, [ph] anything (53:58) is a marketed portfolio of large quality assets. It's going to be tough for us to compete. I'd rather use our people to go after one-off deals maybe those that are off-market, take on some more risks in terms of value add acquisitions and redevelopments and development, but we're going to – we've got a number of – we've got a lot of market teams that are out there, all trying to do the right thing. And we've got a number of small deals in the pipeline and one or two kind of medium size deals that hopefully will happen. I feel okay about the pipeline, but it's competitive.

Sheila K. McGrath

Analyst, Evercore Partners (Securities)

Q

Okay. And then last question. Just if you had to rank your markets in terms of the top two for rental growth outlook or two or three this year, and the reciprocal – the weakest kind of per rental growth in 2013?

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

It's hard to differentiate between the top six – five or six margins. Southern California is strong where it also has strong rental rate growth. I think that will continue. Seattle, strong. Northern California, strong, Miami – Houston, although Houston I think will probably down a little bit, you're seeing – it didn't fall as far in the downturn, has risen pretty significantly in the last two years, but I think with the construction that's there, I think that's going to – we'll see continued rent growth or may not be as dramatic.

The market that I – that we struggle with is Columbus, we have good leasing activity and lot of a Midwest secondary market, but Columbus and I think as a result I think Columbus is probably at the bottom of the list. Not a scientific analysis on my part but more emotional, but Columbus is – will be at the bottom of my list for rent growth. Seeing some improvement in net effective rents there simply because concession has come back a little bit and kind of a crazy base rates in to a bounce off the bottom, but I put Columbus at the bottom.

Sheila K. McGrath

Analyst, Evercore Partners (Securities)

Q

Okay. Thank you.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

Thanks, Sheila.

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Thanks, Sheila.

Operator: Thank you. [Operator Instructor] And we do have a follow-up question from John Stewart with Green Street Advisors.

Eric Frankel

Analyst, Green Street Advisors

Q

Thanks. This is Eric Frankel with John Stewart. I was just wondering if you can comment on your risk appetite and the fact that you have a certain quota you want to set in terms of where you want your development assets to be relative to your total asset base. Could you talk about your balance sheet philosophy a little bit more detail perhaps any target you have on leverage?

Matthew T. Murphy

Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.

A

Yeah, Eric. It's Matt. As we've talked about before, I think that the business we're in today, it's very important that we maintain a very strong balance sheet. And I think that includes leverage that includes flexibility. I think where we stand today is probably higher than sort of an ideal spot from a debt-to-EBITDA, which is really kind of the most meaningful metric in my mind today. But really that's a by-product to the fact that we started a lot of our value-add activity sort of at the same point in time. And while the leasing of those is going extraordinary well, very few of those people are in, cutting us checks today. So I think what you'll see is the natural growth in EBITDA, which is the best weapon against leverage, is really poised and ready to take effect in 2013. It just hasn't yet. So I think where we are today, if you just took the snapshot in time, our leverage metrics are right a little higher than you think are ideal. But I feel comfortable about it because I think that they work themselves out not through things that we hope will happen in the future, but that are already poised to happen. But I think bottom line, if you look at leverage perspective, I think 35% to 40% leverage is a good place to be. And I think on a value basis, we're probably on the higher end of that, but we're sort of comfortably in range. It's – we need our cash flow to grow and I think it will based on things that have already happened.

Philip L. Hawkins

President & Chief Executive Officer, DCT Industrial Trust, Inc.

A

We – so – this is Phil, made a lot of progress I think. Debt to EBITDA will come around quickly as those development projects kick in and we're not done which is why we talked about how we're going to fund growth. We didn't mention increasing leverage. We continued to view our approach as to try and de-lever through growth and that will continue through 2013.

Eric Frankel

Analyst, Green Street Advisors

Q

Thanks. Just a follow-up to that, I guess, if you look at page 14 [ph] and turned your (58:36) fixed charge coverage ratio on adjusted EBITDA item, could you give a sense perhaps of excluding additional development leasing or activity, how that grows given the cash flow growth you're assuming? Just kind of get a sense of a run rate on that.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yeah, I'm not going to try and do that off the top of my head. Again, I think I look at the forecast – you're asking for a pro forma year-end number that I – like I said I'm not going to try and do that off the top of my head. I look at forecast and you can see the relative metrics improve over time. We can certainly talk about that offline.

Eric Frankel*Analyst, Green Street Advisors*

Q

Okay, thanks. I guess, just a last question, any thoughts on additional [ph] turns (59:11) of capital sources on the right side of the balance sheet? I mean, the [ph] insecure (59:14) public markets seemed to be pretty wide open as well as the preferred markets. Any thoughts of pursuing those options in the future?

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

A

We've made it clear. We've been pretty open with our desire at some point in time to become a publicly rated and access the public debt markets. That'd be the next step. And then, from there, you can obviously look at other source as well, but the – looking at the timing and you can look at – it really comes back down to the balance sheet progressing to a point where we think that that we'll be happy. And that remains a goal and I hope it's near rather than further in the future.

Eric Frankel*Analyst, Green Street Advisors*

Q

Okay, great. Thanks, guys.

Matthew T. Murphy*Chief Financial Officer, Treasurer & Executive VP, DCT Industrial Trust, Inc.*

A

Yes. Thanks, Eric.

Operator: There are no more questions at the present time. So I'd like to turn the call back over to Phil Hawkins for any closing remarks.

Philip L. Hawkins*President & Chief Executive Officer, DCT Industrial Trust, Inc.*

Well, thank you, everybody, for participating. I look forward to seeing many of you in the near future, and always available to answer phone questions whenever you have them. Thank you.

Operator: Thank you. The conference call has now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a nice day.

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