MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the DCT Industrial Trust 2011 First Quarter Earnings Conference 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, Vice President of Investor Relations. Please go ahead.

Melissa Sachs, Investor Relations

Thank you, Valerie. Hello, everyone, and thank you for joining DCT Industrial Trust's first quarter 2011 conference call.

Before I turn the call over to Phil Hawkins, our President and Chief Executive Officer, I would like to mention that management's remarks on today's call may include statements that are not historical facts, and are considered forward-looking, with the meaning of securities laws. This including 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 our supplemental package, 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 and Chief Executive Officer

Hey, thanks, Melissa; and welcome, everyone. I will make a few comments on our results and outlook, and then Stuart Brown, our CFO, will provide more details on the quarter and guidance for the year; Mike Ruen, our Managing Director of the East Region; and Matt Murphy, our Treasurer, are also participating on today's call and available to answer any questions.

We had an excellent first quarter leasing 3 million square feet, increasing occupancy in our total consolidated portfolio of about 40 basis points over the last quarter, and acquiring $56 million of assets through April. As a result of our stronger than expected first quarter leasing, we've moved the bottom end of our guidance up $0.01 as we don't believe that downside is a real risk at this point.

In light of these results, I remain optimistic about our business and the continued recovery of industrial real estate fundamentals. According to CoStar, first quarter national industrial net absorption was 32.3 million square feet. This is down just slightly from the fourth quarter, but still substantially higher than the second or third quarters of last year. And for that matter any quarter over the past several years.

As expected, new supply remains negligible, and is expected to remain low for quite some time, although I do expect a few building starts in a couple of strong markets, but nothing to really move the needle. So the increased net absorption will have a meaningful impact on market occupancy levels. Rents have definitely stabilized and in some markets such as Southern California, Seattle, Houston and Miami, they have noticeably increased and are expected to continue rising. Other markets will no doubt be added to this list over the next few quarters, although for the most part I think rent growth will be more of a story in 2012 and beyond than this year.

We had a good leasing month in April, selling just over 1 million square feet. Our current leasing pipeline remains at about the same level as recent months, although we've noticed that customers appear to have somewhat less urgency than they did just a month or two ago. Lease deals in the pipeline are not going away, but rather the pace seems to be slowing slightly.

The fact that it's taking longer to get leases across the goal line is not surprising given the recent slowing in GDP growth as well as a fair amount of negative news about rapidly rising oil prices, the U.S. debt ceiling and the related budget debate, the devastation of Japan and unrest in the Middle East. The list could go on and on, until Sunday when we got great news out of Pakistan that we all heard. What a welcomed surprise that was and hopefully it'll allow us to feel good about the world and maybe even spill over to feeling great about the economy; it certainly can't hurt.

We didn't expect the recovery to be a rocket ship when setting our business plan for 2011. I've said all along that we are optimistic about the recovery continuing, but also somewhat cautious about its pace and consistency. Therefore, we continue to operate our business conservatively based on that outlook.

With respect to acquisitions, we continue to look for opportunities where we can buy quality assets that generate decent returns and are in our view accretive to shareholder value and earnings growth. By entering the acquisition markets earlier than most, we were able to acquire leased assets at very attractive prices and returns, which have appreciated substantially in value since then. Our pipeline of acquisitions under negotiation remains consistent with last quarter. There remains substantial competition for stabilized assets in primary markets, so that cash certainly isn't getting any easier, but our pipeline remains consistent with last quarter.

Our primary focus will remain on buying individual assets – an approach which is well suited to our organization's local market presence, but not as practical for the larger institutional buyers to pursue. As I mentioned last quarter, given the market recovery, we've become more active in acquiring under-leased assets, but we think there is substantial value spread relative to stabilized assets. While capital is beginning to flow into value-add assets, at least for the time being the vast majority of buyers remain focused on stabilized assets lacking the organization and/or capital mandate to pursue valued-add opportunities.

Eventually this will change, and the risk premium is likely to diminish over time as abundant capital continues to seek a home, but for the time being we hope to be at least slightly ahead of the large crowd in acquiring assets where we can add substantial value through leasing and/or redevelopment.

We are also beginning to evaluate land and development opportunities in a few strong markets where rents and tenant demand may warrant starts over the next 6 to 12 months. Our focus is on infill locations, acquiring sites that we can mobilize quickly with manageable exposure to carry costs.

I feel good about our business plan and the organization we have in place to execute on that plan. We've maintained a strong balance sheet that has the capacity to not just withstand downturns, but capitalize on a recovery. We have an operating organization that has successfully leased space in very competitive markets, and will be just as successful in increasing rents as those opportunities arise. And our organization, through its relationships and market savvy, has sourced acquisition opportunities that have added substantial value to our shareholders.

In summary, I'm very pleased with our first quarter results as well as how DCT Industrial is positioned to grow and create value in the future. We remain focused on leasing space, maximizing

NOI, and profitably and prudently deploying capital in a recovering market. We've a great operating organization in place and I'm confident in their ability to deliver results.

With that, I'll turn the call over to Stuart.

Stuart B. Brown, Chief Financial Officer

Thank you, Phil, and thanks everyone for joining us today. I'm also very pleased with the financial performance and the execution of our business plan. As Phil mentioned, we had a good quarter of leasing activity and acquired some great properties.

Funds from operations were $0.09 per share, which was consistent with our expectations for the quarter. Occupancy increased a better-than-expected 40 basis points in the quarter reaching 87.8% for our consolidated properties. The DCT Industrial market teams signed more leases than planed and tenants took occupancy earlier than anticipated. Compared to a year ago, occupancy for the consolidated portfolio was up 710 basis points.

The amount of short-term and seasonal leases did decrease during the quarter from 2 million square feet at December 31st to 1.4 million square feet on March 31st though more short-term tenants have remained than expected. We signed 3 million square feet of leases in the first quarter, of which 1.2 million square feet were new leases and our tenant retention rate was a strong 72%.

Rental rates on signed leases declined 11.9% on a GAAP basis and 15.5% on a cash basis in the first quarter compared to the previous lease for the same space. This was slightly below our expectations though not a surprise as leases expiring were signed near the peak of the market. The most meaningful decline was a large renewal in Nashville where rents remain around 30% below their peak.

Over the past four quarters, rental rates on signed leases have declined 7.5% on a GAAP basis and 12% on a cash basis. The value of annualized base rent of tenant in a free rent period increased in the quarter from $6.6 million to $9.6 million. To put that in context, $9.6 million is 5.8% of our annualized first quarter cash net operating income.

DCT Industrial same-store trend continues to improve reflecting higher occupancy though average rental rates continue to roll down. Compared to a year ago, average occupancy in the same store portfolio improved 1.3% or 110 basis points to 87.9%. Base rent, including straight line rent, though, decreased 1.6% due to the rent roll downs.

Operating expenses decreased compared to a year ago due to some successful real estate tax appeals and lower maintenance, which are largely passed back to the tenants through lower CAM billings. Same-store net operating income on a GAAP basis decreased 0.7% and on a cash basis decreased 2.3%, a meaningful improvement over recent quarters. Before touching on our refinancing activity, let me provide an update on our leasing and our unconsolidated joint ventures at SCLA and IDI where we have made great progress.

At SCLA DCT Industrial's joint venture in Southern California, a Fortune 500 consumer products company has signed a lease for 496,000 square feet in building 1. The tenant is expected to occupy the building in November 2011 with a 10-year lease. The building is a new, state-of-the-art facility and was selected by the customer for its location and physical attributes to serve as a food product distribution center for the southwestern United States. In our 50-50 joint venture with IDI, we leased 391,000 square feet in Nashville in March and just last week signed a 247,000 square-foot lease in Chicago with a specialty retailer. This total leasing of 638,000 square feet brings these two buildings to 69% leased. Results from our joint ventures were adversely impacted in the first quarter by about $300,000 for a true-up of prior year expenses SCLA.

Now on to capital markets, where we've been very busy since the start of the year. In addition to the February equity offering to fund acquisitions of which I believe most of you are aware, we recently extended $50 million of maturing unsecured notes for nine years at 5.43%. Additionally, we have agreed on a term sheet with our bank group to extend for four years our $200 million term loan which matures in June.

Further, we are evaluating a senior unsecured private placement notes offering similar to the transaction we executed last year with the intent of refinancing the 2011 mortgage maturities. While both transactions are subject to normal market risk, we believe our strong credit profile, large base of unencumbered assets and consistent track record make us attractive to debt investors and will enable us to extend our average debt maturities blend.

Turning to guidance, we are raising the low end of our funds from operations as adjusted per-share by $0.01 reflecting a strong first quarter and good progress in meeting our goals for the year. FFO per share in 2011 is now expected to range between $0.34 and $0.38 per share excluding acquisition costs, gains, impairments, and debt extinguishment costs if any.

Let me review our performance and outlook with respect to a few of our key guidance assumptions. Regarding leasing expectations, tenant retention is right on track as well as the volume of leasing. We signed 3 million square feet of leases in the first quarter and have 6.1 million square feet expiring over the remainder of the year. Our average occupancy guidance of 86% to 89% for the year in our total consolidated portfolio remains unchanged from our increase last quarter.

Occupancy will likely decrease in the second quarter though as short-term leases expire and then increase somewhat in the third quarter before reaching near 90% at the end of the year or about 200 basis points better than where we ended 2010. Average releasing spreads for 2011 are still expected to roll down about 10%.

Regarding GAAP same-store performance, our guidance assumed net operating income growth to range from flat to down 4% compared to 2010. In the first quarter, we reported same-store net operating income to have declined 0.7%, so are comfortable with the range of our original expectations. On a cash basis, same-store NOI growth trends are expected to improve during the year and be flat to slightly positive in the fourth quarter compared to down 2.3% in the first quarter this year.

Our interest expense is expected to be consistent with our original guidance, reducing FFO per share by about $0.03 to $0.04 compared to 2010. While rates are lower than last fall, we expect to extend our average debt maturities longer than anticipated.

Finally, we targeted $100 million of property acquisitions for the year, and through April have already purchased $56 million.

DCT industrial has had a successful start to the year. We will continue to work hard to apply our local market expertise to lease space and identify quality acquisitions. I would also like to let each of our shareholders and lenders know how much we appreciate their continued support.

I would now like to turn the call back over to Valerie to take the questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Sheila McGrath of KBW.

<Q – Sheila McGrath>: Hi. Yes. Good morning. So, I was wondering if you could walk us through the markets and describe where you see the most significant potential improvement in terms of falling vacancy rates over the course of the year.

<A – Philip Hawkins>: Let me give it. I'll give that answer and I also let Mike Ruen provide a little color, he is a little closer to the markets anyway, but I'll still answer it.

Obviously, the markets everybody likes right now and the ones that we are certainly enjoying, the Southern California, Seattle, Miami, Houston really impressed me. I was there just a couple of weeks ago and the change just over – in a year, given that a year ago, we were dealing with the Gulf oil crisis and how we're dealing with $110 a barrel oil. So, those markets clearly are really good.

I think Northern California has a potential to accelerate through; Chicago is a surprise; people there are positive, really strong absorption in the first quarter. Dallas, Atlanta – I mean, actually I'll let Mike comment on that as well, but Dallas and Atlanta, major distribution markets that have really come forward in the last couple of quarters particularly in the fourth and the first quarter. So, the list is actually long. Mike, you want to add some color to what I just said?

<A – Michael Ruen>: Yeah. I mean, sure Phil. I would say that without question we were – I don't know, pleasantly surprised if you will at the impact that we saw in the national net absorption that was provided by Atlanta, Dallas, Chicago and Phoenix. The only other comment I would make is that we've also seen some markets that have been slow coming back, Orlando, to some extent Baltimore; and the nature of the activity being regionally driven too, is also a positive sign.

<A – Philip Hawkins>: Pennsylvania has come back and performed really well, maybe even a little bit at the expense of New Jersey for a variety of reasons.

<Q – Sheila McGrath>: And also, Phil, could you give us some insight on to your pipeline in terms of what kind of cap rates and how that might vary either by property-type or market?

<A – Philip Hawkins>: We're pursing two categories of acquisitions. The first are stabilized assets in locations, typically coastal, but even maybe infill locations of primary markets that make sense from a replacement cost perspective, a discount replacement cost, generating decent yields, certainly have come down over the last 6 or 12 months. I'd loved to – I'm proud of what we did last year, although I wish we could have done more. We gave it our best, but I'd love to have done more. So, yields have come down including in our own pipeline, but I think we'll still be attractive, accretive if you will, on a current basis.

And then, in terms of the pipeline, a number of opportunities that we're looking at that generated low or no yields, honestly, in the first – at least the first few months, because they come under-leased, maybe even vacant. And, I am probably more interested in those types of acquisitions right now; happy to pick off a few under the radar screens, stabilized assets that are too small or whatever the – maybe we just got lucky with a relationship or whatever. But I think our opportunity going forward, at least for the next, hopefully for a long time, but for the foreseeable future, will be really the value-add area where we take a little bit of risk, apply hopefully our knowledge and our judgment of where the markets are going and hopefully also apply our expertise in terms of leasing and customer relationships. That's encouraging to me and more exciting to me.

<Q – Sheila McGrath>: Okay. Thank you.

Operator: Our next question comes from Steven Frankel of Green Street Advisors.

<Q – Steven Frankel>: Hi. Good morning and thank you. Just a few questions. First of all, you guys didn't sell any assets this quarter. I know that capital recycling has been a big part of your strategy in recent quarters, given that pricing has heated up, there has been more interest in assets in Chicago, for instance, out in the Midwestern market, are you thinking of maybe starting to increase the volume on that going forward?

<A – Philip Hawkins>: Thinking about it, Steve, we did a good-sized equity raise, as you know, earlier, in the first quarter, and felt good about how we funded acquisitions so far. We've looked at – we continue to look at various sources of capital, including dispositions as well as equity. Probably less likely to sell out of what we consider our focus markets, Chicago being one of those, than we would be in maybe more secondary markets. A non-strategic asset here or there would be fine to sell.

My sense of the market is that it's still a fairly concentrated focus amongst investors, and while pricing has come down rather significantly in secondary markets or for 'B' or 'C' assets, that's not yet where the market – the market has not fully come there. And I think patience will continue to be rewarded for a while. So, we're in no hurry. I'm not answering your question probably as direct as you'd like it, but nothing imminent, a few one-off sales like we've done in the past. If we get an offer that makes sense, we will take it. And again, we continue to have a list of dispositions and conversations with major investment sales brokers to be ready to mobilize as appropriate.

<Q – Steven Frankel>: Okay. And, your light industrial and service center properties, I'm assuming, given your comments, you would hold on to those for a while as well before trying to sell those too?

<A – Philip Hawkins>: Well, light industrial just – to me, is a smaller version of a distribution building. And, just by the term, we are not opposed to that at all. In fact, we've bought a number of buildings that would be put in that category. We've bought a number of – 50,000 60,000, 100,000 foot buildings that I think are probably appropriately categorized as light industrial. And we like those assets, like the acquisitions, in Southern California and in a number of other markets.

A service center, yes; there aren't many service center buildings that I'd like to own long term, but unfortunately I think while they are generating 'okay' income for us now, there is not a huge investor appetite, honestly. It's not a deep enough market for me to be – want to be a seller. I'd like to be a seller where there's multiple buyers all huddled around a very attractive price. You might get lucky, but more likely than not you are talking about one – one or two buyers in a pretty thin crowd.

<Q – Steven Frankel>: Okay. And then turning to land and development, you were mentioning, Phil, earlier that you're looking potentially at buying new land sites and starting up development. In the past you guys used joint ventures last cycle. Would that be a similar blueprint this time? And what markets are you really focusing on? If national rents are down 30%, I'm assuming you're talking more Houston, Los Angeles and Seattle?

<A – Philip Hawkins>: Yeah, we're not talking national, I can assure you that. We're not talking joint ventures. We said, maybe as long as two years ago, it's been our effort, our focus to build a strong operating platform that includes development capability. Jeff Phelan, who you know has come on board not just to bring regional market expertise, but also more importantly probably his value-adding developing expertise. We've got a number of people in the organization who have that capability that have been with us and/or been added in the last six months or a year. And so, it is our intent – is to develop on our own. We are under contract on a couple of sites that are in coastal markets, and continue to work primarily in those locations.

<Q – Steven Frankel>: Would this be spec products or this would be build-to-suit opportunities at this point?

<A – Philip Hawkins>: Both. We've got, for example, land that we bought a year ago, 8th and Vineyard in Inland Empire that we've got really good activity on, both land sale as well as build-to-suit, and maybe even for lease. We are looking at land sites where once we acquire them we are prepared to go spec, but we wouldn't be surprised if prelease and/or build-to-suit would come our way. We are looking at infill locations in strong markets, which means, hopefully, in that environment you've got multiple opportunities to realize value.

That's our focus; it's really not taking a lot of spec risk in frontier locations or frankly in markets that have still not recovered. I'd rather pay a little more for land and take a little less market risk or development risk, if you will, as you – less of a leap of faith, and manage it on a more conservative way as a result.

<Q – Steven Frankel>: Okay. I may jump back into the queue. Thanks, guys.

Operator: Our next question comes from Jamie Feldman with Bank of America.

<Q – James Feldman>: Hey, guys. I was hoping you could talk a little bit more about pricing on acquisitions, what you are seeing now versus where things were when you first started the strategy in the last couple of months – the last couple of quarters?

<A – Philip Hawkins>: Mike, do you want to add some color? Mike?

<A – Michael Ruen>: Oh, I am sorry, I didn't – there was a ring.

Sure, I think that, with respect to pricing, we saw, obviously, some immediate compression on class A that continues, but in depending on the market, I think you'll see some more, Jamie, there. But what we think will happen is the spread will begin to tighten a little bit more for B product in Tier 1 markets and we'll start to see some more A product trading in Tier 2 markets. There is just too much capital and we think we are going to see that push back. But for now, the Class A in Tier 1 markets have dominated the landscape.

<Q – James Feldman>: So, I guess as you're thinking about putting capital to work going forward, what kind of returns are you guys looking for and what are you seeing in the A assets in B markets versus the B assets in A markets?

<A – Philip Hawkins>: Jamie, first – the first thing we look at is the price per foot and relative to the replacement cost, and that will generate yields right now if you've seen us buying probably in the mid 6's to mid 7s on a stabilized basis in coastal markets. We've now been real successful in – [ph] I must (26:22) remember second tier markets I use the non-coastal markets, Dallas and Atlanta, where pricing tends to be as – I think as hot as it is on some of the coastal markets, and where we're probably a little more sober about future rent growth prospects, quite honestly.

And so, I think mid 6s to mid 7s, you might pick something off for whatever reason that's above that but – and certainly there are transactions that are happening, particularly portfolios, where you're going to get sub-6 pricing, in South California for example, probably sub-6 pricing in Miami. You're getting probably low 7s, perhaps even sub-7 pricing in Chicago, maybe almost definitely sub-7 pricing in Chicago, close to that in Dallas. I'm amazed at where that pricing has gone.

In the larger portfolios, specifically for Class A new product, you're trading at or above replacement costs, which is why you're just not going to see us participate, I don't think. We'll participate, I don't think we'll be very successful in many portfolio acquisitions. It's just, if you get bigger, you get a bigger crowd because a lot of the capital out there is being managed by companies that really are looking for big deals, they don't have the organization necessarily or the interest, whatever, in buying smaller deals. So, that's why we've been trying to make a living buying smaller deals and hopefully creating value through portfolio aggregation, if you will. But that's what – if -- there's a lot of – there are a lot of stories out there about very aggressive pricing on portfolio deals, and they're accurate.

<Q – James Feldman>: Okay, thanks. And then what can we read into that lease at SCLA? Are you seeing a real pick-up in activity there or this is something that's been in the works for a while? What's kind of your latest thoughts on that market?

<A – Matthew Murphy>: Yeah, I think – this is Matt. I think the answer is really both: there has been a pickup in activity; this particular transaction has been in the works for a while, it's a fairly complicated transaction. And I think you've seen a lot of net absorption in the Inland Empire and it's clearly affecting the level of activity at SCLA as well.

<Q – James Feldman>: So how – what's your backlog look like in terms of potential leases there? [indiscernible] (28:53)

<A – Matthew Murphy>: Well, there are a number of prospects that are working – at this point I wouldn't say anything is imminent. But, again, I think you continue to be encouraged by the level of activity that's in the market. Quite honestly, probably not as good as it was six months ago, as frankly, a lot of the backlog – the huge level of absorption that's happened, I think some of that has abated but there is still a lot of activity, particularly in the big box space out there.

<Q – James Feldman>: Okay, thank you.

<A – Philip Hawkins>: Thanks, Jamie.

<A – Matthew Murphy>: Thanks, Jamie.

Operator: Our next question comes from George Auerbach of ISI Group.

<Q – George Auerbach>: Great, thanks. Phil, you mentioned that you're seeing less urgency from tenants than you were a month ago, I was wondering, is that characterization true across both your interior markets and your coastal markets?

<A – Philip Hawkins>: You know, I think it's – yeah, I think, as a blanket statement. It comes from a number of different sources, from internal sources. The best person I talked to, and talk to almost every day, is the person that processes all of our leases, and she gives me a real time barometer on how tenants are thinking, how busy is she. The pipe – the good news is the pipeline is pretty good; it's as good as it was a month or two ago. But, she noticed it – she said, almost like it's April fool's joke on April 1st, the pipeline – again, the sense of urgency by tenants, they were all, how do you get things done yesterday, in the first quarter, maybe even in the fourth quarter, how do you get it done yesterday.

My – I attribute that to, it's really a number of backlog of requirements that tenants have put off, finally somebody released them and every time that something gets held in advance for a while, then it becomes a panic once the CFO, whomever is in control, loosens the purse strings. That probably has – that pent up panic has probably abated and now we are back to a more normal level.

So honestly it's where we were last year, but it's not a unique – it's not a characterization I'd applied to one or two markets. I probably wasn't that precise in probably asking the questions, but I hear it from a number of our leasing people from various different markets, it's not just the Dallas guys or the New Jersey guys or the Florida people, it's really a more across-the-board comment. And I don't know, honestly, the mood swings amongst leasing people and also corporate needs, it ebbs and flows. I wouldn't be surprised if you ask me next week and that the answer changes a little bit. Certainly – I certainly hope it would change to the positive, but I'd still like to share kind of what's really going on real time from a mood perspective.

<Q – George Auerbach>: I guess, what do you think the potential is that 2011 then looks a bit like 2010 where the first part of the year you had good demand from – and in part, pent-up demand, but also at the time improving economic conditions but then the summer came and some macro fears crept up – I guess, what do you think the chances are that demand sort of slows through the summer and the back half of the year?

<A – Philip Hawkins>: I worry about it. You never know when some event like what happened on the European debt crisis, I think the Gulf oil crisis had something to do with it as well, but a number of things are happening. They can shock us down a level.

What it feels differently to me, first on a micro-level our leasing activities dropped off last year about this time and we saw it and that hasn't been the case. And second, it seems that capital is just a much more abundant, more consistently available deeper, which also I think offsets that potential, reduces the likelihood of that potential, but I worry – obviously I worry about it. I still think although in general, I'm pretty optimistic. I hope – I think it's just as possible we're surprised to the upside as to the downside, both are possible, so if you would ask the question differently, Phil do you think it is up this potentially will go back to the fourth quarter. I'd say, you know what George, yes it's possible, just like I'd say it's possible to go back to last year. Both can happen, I think there's a little bit more chance that – we'll be surprised to the upside honestly than the downside, but I don't – obviously I don't know and we're planning. We have a fairly conservative approach. We got plenty of rollover, plenty of vacancy to work on. We're not dramatically bet – making a bet on a recovery or a second dip. We're just plodding along doing our thing.

<Q – George Auerbach>: Okay. And I guess just last, Stuart the $200 million term loan, I guess, what are the ranges you're thinking about in terms of rate and should we assume that loan will still be a floater?

<A – Stuart Brown>: Yeah. I'll turn it over to Matt, let Matt answer that.

<A – Matthew Murphy>: Yeah George, definitely it will be a floating rate loan it's effectively with the same syndicated banks that we had today. I think it's been a period where in terms of pricing the winds been at our backs and to be in position to act but not act has served us as well. I think you will see it's going to be based on a leverage grade as it is today. You see pricing in the 200 over range 20 basis points either side of that which is basically 50 wide to where we are today, but probably 80 inside of where we would have been if we'd done it a year ago.

<Q – George Auerbach>: Okay. Thanks very much.

<A – Matthew Murphy>: Thanks George.

Operator: Our next question comes from Brendan Maiorana of Wells Fargo.

<Q – Brendan Maiorana>: Thanks, good morning. Matt maybe just a follow-up and then on the loan that you guys are looking to take out the mortgage notes with, what are the terms that you would expect and do you think that the principal amount will be roughly in line with the $130 million or so of explorations that you have this year?

<A – Matthew Murphy>: Yeah. I think in terms of the structure it will be, I mean you never know until you get through there. The anticipation will be at exactly the same as the transaction – the similar transaction we did last year in terms of covenant, in terms of covenant structure etcetera. I think $150 million to $200 million is sort of in the sweet spot of what we are hoping to achieve.

One of the things that I found in these is that you'll find very intense pockets of sort of demand from investors and effectively you can navigate that to your advantage in terms of batching together different tenders of note so I think – and again you'll see a transaction that is very similar to what we did last year but frankly the pricing should be a little bit better given the amount of capital that's being – hoping to be put to work.

<**Q – Brendan Maiorana**>**:** And then if you guys do $200 million relative to the amount of notes that you've got maturing, are the additional proceeds going to be used I guess just to pay down the line and then to the extent that you've got acquisitions that fill that void as well?

<**A – Matthew Murphy**>**:** Yeah, I think that's exactly right. The other assumption is and we're still working through kind of the final allocations of a term loan is – it's very possible again consistent with our intent to kind of push average maturities out a little bit you may see us paid and the term loan may not be $200 million the next time, it will be in the same neighborhood but you may see us pay that down a little as well.

<**Q – Brendan Maiorana**>**:** Okay that makes sense. And then Phil, just in terms of the returns that you guys were looking at, you mentioned buying some land, doing some development potentially build a suite, potentially some spec, you've been buying value add properties and then you were good enough to give us kind of the outlook on cap rates for stabilized assets, can you just kind of frame up the returns you're looking at on value add type of acquisitions and then what you'd expect to get on either build a suite or spec development projects with some of the plans that you're looking at?

<**A – Philip Hawkins**>**:** Okay. I believe, touching that relative basis, because each market is a little bit different but right now I'd say the payment level of risk in the market were probably 100 and 200 basis point premium, for taking a leasing risk, and some markets like Southern California that risk has spread maybe close to 100 on a quarter, in other markets maybe that's closer to 200, so we're that's how I think about it. In Southern California if you can – and we just we announced a deal with a stabilized outcome and I think it was a January acquisition in Chino it was empty that was a low seven stabilized return and you're thinking honestly I think you could put a portfolio probably be sub 6 could easily be 6, so you're looking at 100 basis points on that kind of an acquisition, markets that might be strong but not quite the level of interest of the Southern California. Our acquisitions on a value-add basis probably more like the mid 7s maybe in 8. The deal we just did in Chicago, north of an 8 when stabilized, materially north of an 8. But also frankly a little older building and a little more risk. So I think about it more into the spread and trying to gauge risk both market risk and then the asset itself.

<**Q – Brendan Maiorana**>**:** And then in terms of development projects?

<**A – Philip Hawkins**>**:** I think right now we look at 150 to 250 basis points spread and we're pretty comfortable that the deals we're looking at and we're looking at a handful by the way. This is not dozens of them, but I'd say we're comfortable that there's a pretty good spread 150 to 250 of spread over what the building will be worth once stabilized.

<**Q – Brendan Maiorana**>**:** Okay, great. Thank you.

Operator: Our next question is a follow up from Steven Frankel of Green Street Advisors.

<**Q – Steven Frankel**>**:** Thanks guys. Just a couple of follow ups on some of the fundamentals you reported this quarter. It looks like the roll downs as you mentioned on the call earlier was down 16% I guess that was way down a little bit with the Nashville lease but are you guys starting to cut rent

more to kind of try to sell occupancy at this point and can you give some color on whether spreads were relative for light industrial and service center versus bulk?

<A – Philip Hawkins>: Let me answer the first Steve, or try to, and I'd say no our leasing strategy is not – it's not changed we started being more aggressive on occupancy. In a few markets it's actually the opposite, we're less aggressive on occupancy and a little more focus on rate. I think what you're seeing is honestly Nashville where rents were still rolling over rents that were still that were peaking and a market that fell hard we just hadn't done a lot of leasing in Nashville. You're doing some new leases. You're seeing essentially what's happening when you do leases or renewals when you're rolling off peak of the market. So I don't think our strategy has changed, we're just actually realizing what's embedded and like always there is a few leases that sort of drive it. If we pull on Nashville and look better but we can't pull on Nashville it happened but there are other markets where we probably had some positive rent growth that just, so I don't think it's changed at all I think rents has stabilized, including in the Nashvilles, if you will but not – but we still have. I think a good 6 to 12 months of rolling over peak rents before those peak rents start burning off and now you're beginning to get a chance to roll over against better comps, kind of post mid '08.

<A – Stuart Brown>: Steve, on your second question, service centers, it's only 2% of our portfolio and just looking through the list on that and light industrial. There weren't any leases of any size that moved the needle, so I don't have the exact statistic in front of me but in terms of the overall average it didn't really move it that much.

<Q – Steven Frankel>: No problem. And then lastly, it looks like you guys average lease term this quarter on what you signed is I think for about five years versus four years last year, are you guys cognizantly trying to extend – have longer lease terms on new leases and is that going to be kind of ammo going forward?

<A – Philip Hawkins>: No, not cognizant. Certainly we'll focus on doing the right thing for the right building with respect to occupancy. I think part of it is influenced by the fact that there is more new deals and new deals will tend to be longer than renewals, which the more successful we are at leasing vacant space and the same is true last quarter I believe it was up a little bit that – it's just, like I say it reflects – when the tenant moves that for a variety of reasons they're going to expect to a longer lease and we did a few large leases where we exceeded five [indiscernible] (42:01) and pulled the overall average up.

<Q – Steven Frankel>: Great. Thank you very much guys.

Operator: Our next question comes from Sri Nagarajan of FBR.

<Q – Evan Smith>: Hi, thank you. This is Evan Smith on with Sri. I was just hoping you guys could comment a little bit further on the value added acquisitions and the assumptions that you're making to get to the 8.3% yield from the 5.0% or 5.8% yield and whether that's over a certain time period and also whether that's just occupancy assumptions or some rent assumptions as well?

<A – Stuart Brown>: Evan Hi, this is Stuart. It really it's – it's really mostly occupancy assumptions. I think we've been, based on the activity that we've got in this couple of value add buildings, the building we bought in Chino, the building we bought in Miami and we've got I think a sort of average downtime of those depending upon the building nine to 12 months Chino where we are in the process of doing a little bit of redevelopment to improve that building and as we're underwriting those again with that timeframe and we're sort of looking at sort of current market rents and not building a lot of rent growth on those.

<A – Philip Hawkins>: If [indiscernible] (43:05) for ours, we're using current market rents. Obviously as we think about pro forma and depending on the market we'll assume rental rate growth over a period of years but a stabilized rent in my mind is leasing up the building at what we think are achievable market rent today.

<Q – Evan Smith>: Okay, great. Thank you very much.

Operator: [Operator Instructions] Our next question comes from Brendan Maiorana of Wells Fargo.

<Q – Brendan Maiorana>: Hi. Thanks guys. Just had a couple more. So Stuart I think you mentioned that straight-line or free rent was up fairly sharply in the quarter and it didn't move up sequentially. So, when should we begin to expect that the straight-line rent or free rent numbers are going to start to move down?

<A – Stuart Brown>: Brendan, looking at sort of the tenants that make up that $9.6 million of free rent at March 30th, those are really sort of keep moving, obviously moving over the next sort of four to six months as that free rent burns off. As we lease up space, obviously there is new space coming into the pipeline. And even though we're up from December 31st, I think we'll start to trend back down now through the rest of the year. And going back to my comments on guidance for cash same-store NOI, some of that pickup's obviously going to be that free rent period burning off and those tenants starting to pay cash. So I wasn't going to expect it to get it to zero, but I will expect it to trend down sort of over the remainder of the year.

<Q – Brendan Maiorana>: So, if we just look at not – on the same store portfolio, not on a year-over-year basis but on a sequential basis moving forward from Q1 '11, as we get to the end of the year, if you move the portfolio occupancy up to 90%, you've got rents that probably continue to roll down somewhere between 10% and 15% and you've got straight-line rent that maybe stays flat or goes down a little bit. Should we expect to see that on a sequential basis your net operating income from the same pool of properties at the end of the year is going to be higher than where it was in the first quarter?

<A – Stuart Brown>: Yeah, on the cash basis, certainly.

<Q – Brendan Maiorana>: Okay. Okay that's helpful. And then just last one just for Phil, the higher-level question. I think you've talked about in the past kind of market exposure. When we look at the company over the next three, four, five years whatever it may be, you are in 25 markets today. Can you just kind of refresh our memory in terms of how many markets you'd like to be in longer term and about how much in terms of total property you may expect to dispose of over the next several years?

<A – Philip Hawkins>: I don't think I put out a – put a stake in the ground, certainly in five years I'd like to be in materially fewer markets. No rush to do that, I think we've done a great job in operating, in all of our markets. We've also – those markets are recovering well. I mean, I think when you look at absorption numbers, not rent growth numbers I understand but certainly absorption numbers, occupancy numbers are really doing well in some of the markets people love to hate. And so patience is on our side, not just from a capital perspective which I already talked about when addressing Steve Frankel's question but also from an operating perspective occupancy is there, rents are stabilized. Hopefully rents in the next couple of years will go up. But anyway, and then back to capital, we clearly have focused our capital deployment in fewer markets and that's not to say we don't need to be or don't want to be in other – more markets we deployed capital in, but we think that we – our shareholders are better served by increasing our exposure in the markets that we've been buying in. I'd like to buy in a land in Dallas too by the way. I just, a) we've got pretty good sized portfolios there; and b) the pricing has been stuff that we just haven't been able to get our arms around. Maybe we're wrong but we're certainly different from the crowd, that's for sure.

<Q – Brendan Maiorana>: Is there sort of when you look at some of the markets that you're in is there a minimum level of exposure in a market that we should think that you would like to be in to sort of maintain that market over the long term or maintain exposure in those markets?

<A – Philip Hawkins>: Yeah, we shouldn't be in markets we've got a small... And I've give – I'll throw out a couple of names. Kansas City, we got one building.

<Q – Brendan Maiorana>: Yeah.

<A – Philip Hawkins>: Minneapolis, we've got a handful of buildings. We certainly have watched what's been going on there and watched what A and B did and we're pleased for them. Frankly the markets continue to move past that in our favor. So we look at those kinds of markets. They are good markets. People are going to make money in those markets. They're popular markets in some ways. But we can't be everywhere and everything to everybody and we understand that. On the other hand we recognize that we are in no rush, because if you are in a rush to do something like that, you may end up making the wrong trade on behalf of your shareholders.

<Q – Brendan Maiorana>: Sure. Yeah. Okay. Thank you.

Operator: At this time it appears we have no further questions. This concludes our question-and-answer session. I would like to turn the conference back over to Phil Hawkins for any closing remarks.

Philip L. Hawkins, President and Chief Executive Officer

Well, a simple thank you. Really to echoes Stuart's comments about – we appreciate our investors' commitment and dedication of following our company and we really appreciate that. We also value the opportunity to communicate with each of you and look forward to doing more of that both in [indiscernible] (48:53) calls but also in [indiscernible] (48:56). So until then, take care.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect and have a great day.