UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 22, 2018

PROLOGIS, INC.
PROLOGIS, L.P.

(Exact name of registrant as specified in charter)

Maryland (Prologis, Inc.) Delaware (Prologis, L.P.) (State or other jurisdiction of Incorporation)	001-13545 (Prologis, Inc.) 001-14245 (Prologis, L.P.) (Commission File Number)	94-3281941 (Prologis, Inc.) 94-3285362 (Prologis, L.P.) (I.R.S. Employer Identification No.)

Pier 1, Bay 1, San Francisco, California	94111
(Address of Principal Executive Offices)	(Zip Code)

Registrants' Telephone Number, including Area Code: (415) 394-9000

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Introductory Note.

This Form 8-K/A is being filed for the purpose of filing the financial statements and pro forma financial information required by Item 9.01 with respect to the Current Report on Form 8-K filed by Prologis, Inc., and Prologis, L.P., on August 22, 2018 in connection with the consummation on August 22, 2018 (the “Closing Date”) of the transactions contemplated by that certain Agreement and Plan of Merger, dated as of April 29, 2018 (the “Merger Agreement”), by and among Prologis, Inc. (“Prologis”), Prologis, L.P. (“Prologis OP” and, together with Prologis, the “Prologis Parties”), DCT Industrial Trust Inc. (“DCT”) and DCT Industrial Operating Partnership LP (“DCT Partnership” and, together with DCT, the “DCT Parties”). Pursuant to the Merger Agreement, effective as of August 22, 2018, (a) DCT Partnership merged with and into Prologis OP, with Prologis OP surviving such merger (the “Partnership Merger”) and (b) immediately following the Partnership Merger, DCT merged with and into Prologis, with Prologis surviving such merger (the “Company Merger” and, together with the Partnership Merger, the “Mergers”).

The following events took place in connection with the consummation of the Mergers:

Item 2.01. Completion of Acquisition or Disposition of Assets.

On August 22, 2018, the Mergers were consummated pursuant to the terms of the Merger Agreement.

Pursuant to the terms of the Merger Agreement, at the effective time of the Company Merger (the “Company Merger Effective Time”), each share of common stock, par value $0.01 per share, of DCT (“DCT Common Stock”) issued and outstanding as of immediately prior to the Company Merger Effective Time (other than DCT Common Stock owned by any of the DCT Parties or any of DCT’s wholly-owned subsidiaries and each share of DCT Common Stock owned by any of the Prologis Parties or any of their respective wholly-owned subsidiaries) was automatically converted into the right to receive 1.02 (the “Exchange Ratio”) validly issued, fully paid and non-assessable shares of common stock, par value $0.01 per share, of Prologis (“Prologis Common Stock”, and such consideration, the “Merger Consideration”), together with cash in lieu of fractional shares, without interest, but subject to any withholding required under applicable tax law, upon the terms and subject to the conditions set forth in the Merger Agreement. Approximately 96,212,000 shares of Prologis Common Stock were issued in connection with the Company Merger.

Pursuant to the terms of the Merger Agreement, at the effective time of the Partnership Merger (the “Partnership Merger Effective Time”), each issued and outstanding common unit of limited partnership interest in DCT Partnership (“Partnership OP Unit”) (including any Partnership OP Unit issued upon the conversion of limited partnership interests in DCT Partnership granted under the company equity incentive plan and designated as an “LTIP Unit” under the amended and restated agreement of limited partnership of DCT Partnership (“Company LTIP Units”)) immediately prior to the Partnership Merger Effective Time was automatically converted into a number of new validly issued limited partnership interests in Prologis OP (“New OP Units”) in an amount equal to the Exchange Ratio, and each holder of New OP Units was admitted as a limited partner of Prologis OP as of the Partnership Merger Effective Time in accordance with the terms of the Prologis OP partnership agreement. Any fractional New OP Unit that would otherwise have been issued to any holder of Partnership OP Units was rounded up to the nearest whole number and the holders of Partnership OP Units are not entitled to any further consideration with respect thereto. Approximately 3,557,000 New OP Units were issued in connection with the Partnership Merger.

In accordance with the terms of the Merger Agreement, (a) immediately prior to the Partnership Merger Effective Time, each issued and outstanding (i) unvested Company LTIP Units automatically fully vested in accordance with the applicable existing award agreements and (ii) each vested Company LTIP Unit was automatically converted into a Partnership OP Unit pursuant to the amended and restated agreement of limited partnership of DCT Partnership, (b) immediately prior to the Company Merger Effective Time, each share of DCT Common Stock sub ject to a restricted stock award fully vested in accordance with the applicable existing award agreements and was cancelled and, at the Company Merger Effective Time, converted automatically into the right to receive the Merger Consideration in respect of each such share of DCT Common Stock, (c) at the Company Merger Effective Time, each phantom share of DCT Common Stock outstanding immediately prior to the Company Merger Effective Time fully vested in accordance with the applicable existing award agreemen ts and was cancelled and converted automatically into the right to receive the Merger Consideration in respect of each share of DCT Common Stock underlying such phantom share, and (d) at the Company Merger Effective Time, each outstanding and unexercised option to purchase DCT Common Stock granted under DCT’s equity incentive plan fully vested and terminated and converted into the right to receive a number of shares of Prologis Common Stock, rounded down to the nearest whole number of shares, equal to (x) 1.02 multiplied by (y) the number of shares of DCT Common Stock obtained by (i) multiplying (A) the number of shares of DCT Common Stock that were subject to such option immediately prior to the company merger effective time by (B) the excess, if any, of the fair market value of a share of DCT Common Stock determined immediately prior to the Company Merger Effective Time over the per share exercise price of such option, and (ii) dividing the resulting amount determined under (i) by the fair market value of a share of DCT Common Stock determined immediately prior to the Company Merger Effective Time.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by the full text of the Merger Agreement, which is attached hereto as Exhibit 2.1 and is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information provided in Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference.

On the Closing Date, in connection with the consummation of the Mergers, the Prologis Parties and the DCT Parties executed the Second Supplemental Indenture (the "Second Supplemental Indenture") to the Indenture, dated October 9, 2013 (the "Base Indenture"), and the First Supplemental Indenture, dated March 16, 2017 (the "First Supplemental Indenture" and, the Base Indenture as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), relating to DCT Partnership's 4.500% Senior Notes due 2023 (the "Notes"). Pursuant to the terms of the Second Supplemental Indenture, Prologis OP agreed to assume the payment of the principal of and interest on the Notes and to perform and observe all of the covenants and conditions in the Indenture and to be substituted for DCT Partnership as the issuer under the Indenture. Furthermore, pursuant to the terms of the Second Supplemental Indenture, Prologis agreed to assume, as guarantor, the payment of the principal of and interest on the Notes and to perform and observe all of the covenants and conditions in the Indenture and to be substituted for DCT as the guarantor under the Indenture. As of the Closing Date, the outstanding principal amount of the Notes was approximately $325 million. Additionally, on the Closing Date, Prologis notified the holders of the Notes that all of the Notes will be redeemed on September 21, 2018. The foregoing descriptions of the Indenture and Second Supplemental Indenture do not purport to be complete and are qualified in their entirety by the full text of the Indenture and Second Supplemental Indenture, which are attached hereto as Exhibits 4.1, 4.2 and 4.3 and are incorporated herein by reference.

On the Closing Date, in connection with the consummation of the Mergers, the Prologis Parties delivered Assumption Agreements (the "Assumption Agreements") to the holders of several series of DCT Partnership's privately placed notes (the "DCT Private Notes"). The DCT Private Notes have maturity dates ranging between 2019 and 2028 and interest rates ranging from 3.75% to 6.95% and the aggregate outstanding principal balance of the DCT Private Notes is approximately $604 million. Pursuant to the Assumption Agreements, the Prologis Parties have agreed to assume the due and punctual performance and observance of each covenant and condition of the DCT Parties with respect to the DCT Private Notes. Additionally, on the Closing Date, Prologis notified the holders of the DCT Private Notes that all of the DCT Private Notes will be redeemed on September 21, 2018.

On the Closing Date, upon the consummation of the Mergers, the Prologis Parties succeeded to the obligations of the DCT Parties under the Second Amended and Restated Credit and Term Loan Agreement, dated as of April 8, 2015 (the "DCT Line of Credit"), among DCT Partnership, DCT, as guarantor, the lenders party thereto, and Bank of America, N.A., as administrative agent. The DCT Line of Credit was repaid in full and terminated on the Closing Date following the consummation of the Mergers.

On the Closing Date, upon the consummation of the Mergers, the Prologis Parties succeeded to the obligations of the DCT Parties under the Term Loan Agreement (the "DCT Term Loan"), dated as of December 10, 2015, among DCT Partnership, DCT, as guarantor, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent. The DCT Term Loan was repaid in full and terminated on the Closing Date following the consummation of the Mergers.

Item 3.03. Material Modification to Rights of Security Holders.

The information set forth under Item 2.03 with respect to the Second Supplemental Indenture is incorporated herein by reference.

Item 5.02. Appointment of Certain Directors; Compensatory Arrangements of Certain Officers.

Pursuant to the Merger Agreement, as of the Company Merger Effective Time, Prologis expanded the board of directors of Prologis from 11 members to 12 members and Philip L. Hawkins, President and Chief Executive Officer of DCT, was appointed as a director as of the Company Merger Effective Time.

Prologis expects to pay annual compensation to Mr. Hawkins equal to $120,000 in cash.

Item 7.01. Regulation FD Disclosure.

On August 22, 2018, Prologis issued a press release announcing the completion of the Merger. A copy of the press release is furnished, not filed, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and pursuant to Item 7.01 of Form 8-K will not be incorporated by reference into any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

Item 8.01. Other Events.

Attached hereto as exhibit 99.2 are the unaudited consolidated financial statements of Prologis and Prologis OP and the notes thereto as of and for the six months ended June 30, 2018. These unaudited consolidated financial statements are being filed solely to update "Note 12. Subsequent Events" in order to reflect certain events that occurred subsequent to July 23, 2018, the date on which Prologis and Prologis OP filed their quarterly report on Form 10-Q for the quarter ended June 30, 2018.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The unaudited consolidated financial statements of DCT and DCT Partnership and the notes thereto as of and for the six months ended June 30, 2018 are hereby filed as Exhibit 99.5 to this Current Report on Form 8-K/A. The audited consolidated financial

statements of DCT and DCT Partnership as of and for the year ended December 31, 2017 are filed as Exhibit 99.4 to this Current Report on Form 8-K/A.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined balance sheet as of June 30, 2018 and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2017 and the six months ended June 30, 2018 of Prologis and Prologis OP are incorporated by reference to Exhibit 99.3 to this Current Report on Form 8-K/A. Such unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position that actually would have existed or the operating results that actually would have been achieved if the adjustments set forth therein had been in effect as of the dates and for the periods indicated or that may be achieved in future periods and should be read in conjunction with the historical financial statements of Prologis, Prologis OP, DCT and DCT Partnership.

(c) Exhibits.

The following documents have been filed as exhibits to this report and are incorporated by reference herein as described above.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of April 29, 2018, by and among Prologis, Inc., Prologis, L.P., DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP (incorporated by reference to Exhibit 2.1 to Prologis, Inc's. and Prologis, L.P.'s Form 8-K filed on April 30, 2018).
4.1	Indenture, dated as of October 9, 2013, among DCT Industrial Trust Inc., DCT Industrial Operating Partnership LP, the Subsidiary Guarantors and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DCT Industrial Trust Inc.'s and DCT Industrial Operating Partnership LP's Form 8-K filed on October 15, 2013).
4.2	First Supplemental Indenture, dated as of March 16, 2017, DCT Industrial Operating Partnership LP, DCT Industrial Trust, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to DCT Industrial Trust Inc.'s and DCT Industrial Operating Partnership LP's Form 8-K filed on March 16, 2017).
4.3*	Second Supplemental Indenture, dated as of August 22, 2018, among Prologis, Inc., Prologis, L.P., DCT Industrial Trust Inc., DCT Industrial Operating Partnership LP and U.S. Bank National Association, as Trustee.
15.1	KPMG LLP Awareness Letter of Prologis, Inc.
15.2	KPMG LLP Awareness Letter of Prologis, L.P.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm, dated August 24, 2018 with respect to DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP.
99.1*	Press Release, dated August 22, 2018.
99.2	Unaudited consolidated financial statements of Prologis, Inc. and Prologis, L.P. and the notes thereto as of and for the six months ended June 30, 2018 (revised to update Note 12. Subsequent Events).
99.3	Unaudited pro forma condensed combined financial information of Prologis, Inc. and Prologis, L.P. as of June 30, 2018 and for the year ended December 31, 2017 and the six months ended June 30, 2018.
99.4	Audited consolidated financial statements of DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP and the notes thereto as of and for the year ended December 31, 2017.
99.5	Unaudited consolidated financial statements of DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP and the notes thereto as of and for the six months ended June 30, 2018.

* Previously Filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PROLOGIS, INC.

Date: August 24, 2018

By: /s/ Michael T. Blair
Name: Michael T. Blair
Title: Managing Director, Deputy General Counsel

PROLOGIS, L.P.
By: Prologis, Inc.,
its General Partner

Date: August 24, 2018

By: /s/ Michael T. Blair
Name: Michael T. Blair
Title: Managing Director, Deputy General Counsel

Exhibit 15.1

The Board of Directors
Prologis, Inc.:

Re: Registration Statement No. 333-216491 on Form S-3; Registration Statement No. 333-225542 on Form S-4; and Registration Statement Nos. 333-42015, 333-78779, 333-90042, 333-100214, 333-144489, 333-177378, 333-178955, and 333-181529 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated July 23, 2018, except for the subsequent events described in Note 12 to the consolidated interim financial information, as to which the date is August 24, 2018, related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Denver, Colorado
August 24, 2018

Exhibit 15.2

The Partners
Prologis, L.P.:

Re: Registration Statement No. 333-216491 on Form S-3; and Registration Statement No. 333-100214 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated July 23, 2018, except for the subsequent events described in Note 12 to the consolidated interim financial information, as to which the date is August 24, 2018, related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Denver, Colorado
August 24, 2018

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

Form S-3 (No. 333-216491)
Form S-8 (No. 333-42015)
Form S-8 (No. 333-78779)
Form S-8 (No. 333-90042)
Form S-8 (No. 333-100214)
Form S-8 (No. 333-144489)
Form S-8 (No. 333-177378)
Form S-8 (No. 333-178955)
Form S-8 (No. 333-181529)

of our reports dated February 16, 2018, with respect to the consolidated financial statements and schedule of DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP, included as an exhibit to this Current Report (Form 8-K/A) of Prologis, Inc. and Prologis, L.P.

/s/ Ernst & Young LLP

Denver, Colorado
August 24, 2018

Unaudited Consolidated Financial Statements of Prologis, Inc. and Prologis, L.P. and the notes thereto as of and for the six months ended June 30, 2018 (revised to update Note 12. Subsequent Events)

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PART I. FINAN CIAL INFORMATION

ITEM 1. Financial Statements

PROLOGIS, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Investments in real estate properties	$ 25,555,343	$ 25,838,644
Less accumulated depreciation	4,283,877	4,059,348
Net investments in real estate properties	21,271,466	21,779,296
Investments in and advances to unconsolidated entities	5,414,623	5,496,450
Assets held for sale or contribution	892,546	342,060
Notes receivable backed by real estate	-	34,260
Net investments in real estate	27,578,635	27,652,066
Cash and cash equivalents	527,830	447,046
Other assets	1,396,417	1,381,963
Total assets	**$ 29,502,882**	**$ 29,481,075**
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$ 9,427,124	$ 9,412,631
Accounts payable and accrued expenses	719,679	702,804
Other liabilities	629,576	659,899
Total liabilities	10,776,379	10,775,334
Equity:		
Prologis, Inc. stockholders' equity:		
Series Q preferred stock at stated liquidation preference of $50 per share; $0.01 par value; 1,379 shares issued and outstanding and 100,000 preferred shares authorized at June 30, 2018 and December 31, 2017, respectively	68,948	68,948
Common stock; $0.01 par value; 533,303 shares and 532,186 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	5,333	5,322
Additional paid-in capital	19,322,016	19,363,007
Accumulated other comprehensive loss	(1,041,486)	(901,658)
Distributions in excess of net earnings	(2,716,241)	(2,904,461)
Total Prologis, Inc. stockholders' equity	15,638,570	15,631,158
Noncontrolling interests	3,087,933	3,074,583
Total equity	18,726,503	18,705,741
Total liabilities and equity	**$ 29,502,882**	**$ 29,481,075**

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

PROLOGIS, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Revenues:				
Rental	$ 426,549	$ 447,960	$ 854,450	$ 887,844
Rental recoveries	118,130	128,417	246,172	255,466
Strategic capital	75,697	180,654	208,658	237,699
Development management and other	900	9,152	5,652	14,329
Total revenues	621,276	766,183	1,314,932	1,395,338
Expenses:				
Rental	133,329	147,794	276,270	300,450
Strategic capital	34,850	51,986	78,710	83,785
General and administrative	57,615	60,077	120,043	113,694
Depreciation and amortization	203,673	228,145	407,754	454,736
Other	4,515	2,909	7,754	5,515
Total expenses	433,982	490,911	890,531	958,180
Operating income	187,294	275,272	424,401	437,158
Other income (expense):				
Earnings from unconsolidated entities, net	62,549	68,596	125,205	117,201
Interest expense	(56,314)	(75,354)	(102,575)	(148,266)
Interest and other income, net	5,641	1,892	7,617	4,677
Gains on dispositions of investments in real estate, net	94,261	83,006	289,372	180,331
Foreign currency and derivative gains (losses), net	85,382	(20,055)	44,288	(27,455)
Gains (losses) on early extinguishment of debt, net	282	(30,596)	(702)	(30,596)
Total other income	191,801	27,489	363,205	95,892
Earnings before income taxes	379,095	302,761	787,606	533,050
Total income tax expense	14,104	14,781	30,656	24,381
Consolidated net earnings	364,991	287,980	756,950	508,669
Less net earnings attributable to noncontrolling interests	28,904	19,363	53,485	35,123
Net earnings attributable to controlling interests	336,087	268,617	703,465	473,546
Less preferred stock dividends	1,476	1,674	2,952	3,348
Net earnings attributable to common stockholders	**$ 334,611**	**$ 266,943**	**$ 700,513**	**$ 470,198**
Weighted average common shares outstanding – Basic	532,639	530,040	532,427	529,400
Weighted average common shares outstanding – Diluted	554,515	552,114	554,066	550,512
Net earnings per share attributable to common stockholders – Basic	**$ 0.63**	**$ 0.50**	**$ 1.32**	**$ 0.89**
Net earnings per share attributable to common stockholders – Diluted	**$ 0.62**	**$ 0.50**	**$ 1.30**	**$ 0.88**
Dividends per common share	**$ 0.48**	**$ 0.44**	**$ 0.96**	**$ 0.88**

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

PROLOGIS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated net earnings	$ 364,991	$ 287,980	$ 756,950	$ 508,669
Other comprehensive income (loss):				
Foreign currency translation gains (losses), net	(147,813)	3,162	(143,043)	42,829
Unrealized gains (losses) on derivative contracts, net	2,131	6,735	(4,156)	9,366
Comprehensive income	219,309	297,877	609,751	560,864
Net earnings attributable to noncontrolling interests	(28,904)	(19,363)	(53,485)	(35,123)
Other comprehensive loss (income) attributable to noncontrolling interests	7,539	(811)	7,371	(48,918)
Comprehensive income attributable to common stockholders	**$ 197,944**	**$ 277,703**	**$ 563,637**	**$ 476,823**

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

PROLOGIS, INC.

CONSOLIDATED STATEMENT OF EQUITY
Six Months Ended June 30, 2018
(Unaudited)
(In thousands)

		Common Stock						
	Preferred Stock	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Earnings	Non-controlling Interests	Total Equity
Balance at January 1, 2018	$ 68,948	532,186	$ 5,322	$ 19,363,007	$ (901,658)	$ (2,904,461)	$ 3,074,583	$ 18,705,741
Consolidated net earnings	-	-	-	-	-	703,465	53,485	756,950
Effect of equity compensation plans	-	1,117	11	8,835	-	-	24,835	33,681
Capital contributions	-	-	-	-	-	-	37,974	37,974
Redemption of noncontrolling interests	-	-	-	(2,792)	-	-	(20,976)	(23,768)
Foreign currency translation losses, net	-	-	-	-	(135,793)	-	(7,250)	(143,043)
Unrealized losses on derivative contracts, net	-	-	-	-	(4,035)	-	(121)	(4,156)
Reallocation of equity	-	-	-	(46,927)	-	-	46,927	-
Distributions and other	-	-	-	(107)	-	(515,245)	(121,524)	(636,876)
Balance at June 30, 2018	**$ 68,948**	**533,303**	**$ 5,333**	**$ 19,322,016**	**$ (1,041,486)**	**$ (2,716,241)**	**$ 3,087,933**	**$ 18,726,503**

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

PROLOGIS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2018	2017
Operating activities:		
Consolidated net earnings	$ 756,950	$ 508,669
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Straight-lined rents and amortization of above and below market leases	(26,369)	(48,920)
Equity-based compensation awards	39,082	37,604
Depreciation and amortization	407,754	454,736
Earnings from unconsolidated entities, net	(125,205)	(117,201)
Operating distributions from unconsolidated entities	175,960	141,256
Decrease (increase) in operating receivables from unconsolidated entities	6,589	(117,675)
Amortization of debt discounts (premiums), net of debt issuance costs	5,971	(4,445)
Gains on dispositions of investments in real estate, net	(289,372)	(180,331)
Unrealized foreign currency and derivative losses (gains), net	(52,595)	35,266
Losses on early extinguishment of debt, net	702	30,596
Deferred income tax expense (benefit)	(1,194)	2,268
Decrease (increase) in accounts receivable and other assets	(35,756)	61,452
Decrease in accounts payable and accrued expenses and other liabilities	(89,293)	(58,115)
Net cash provided by operating activities	773,224	745,160
Investing activities:		
Real estate development	(788,604)	(715,294)
Real estate acquisitions	(289,031)	(202,088)
Tenant improvements and lease commissions on previously leased space	(59,342)	(75,342)
Property improvements	(33,289)	(37,253)
Proceeds from dispositions and contributions of real estate properties	901,808	836,107
Investments in and advances to unconsolidated entities	(83,250)	(144,894)
Return of investment from unconsolidated entities	134,640	133,677
Proceeds from repayment of notes receivable backed by real estate	34,260	32,100
Proceeds from the settlement of net investment hedges	-	7,541
Payments on the settlement of net investment hedges	(3,966)	(5,058)
Net cash used in investing activities	(186,774)	(170,504)
Financing activities:		
Proceeds from issuance of common stock	4,322	25,374
Dividends paid on common and preferred stock	(515,245)	(470,792)
Noncontrolling interests contributions	26,174	135,857
Noncontrolling interests distributions	(121,524)	(99,896)
Settlement of noncontrolling interests	(23,768)	(789,626)
Tax paid for shares withheld	(26,694)	(18,894)
Debt issuance costs paid	(6,386)	(6,151)
Net payments on credit facilities	(307,086)	(33,745)
Repurchase and payments of debt	(1,251,830)	(2,002,519)
Proceeds from issuance of debt	1,721,793	2,134,041
Net cash used in financing activities	(500,244)	(1,126,351)
Effect of foreign currency exchange rate changes on cash	(5,422)	15,733
Net increase (decrease) in cash and cash equivalents	80,784	(535,962)
Cash and cash equivalents, beginning of period	447,046	807,316
Cash and cash equivalents, end of period	**$ 527,830**	**$ 271,354**

See Note 11 for information on noncash investing and financing activities and other information.

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

PROLOGIS, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Investments in real estate properties	$ 25,555,343	$ 25,838,644
Less accumulated depreciation	4,283,877	4,059,348
Net investments in real estate properties	21,271,466	21,779,296
Investments in and advances to unconsolidated entities	5,414,623	5,496,450
Assets held for sale or contribution	892,546	342,060
Notes receivable backed by real estate	-	34,260
Net investments in real estate	27,578,635	27,652,066
Cash and cash equivalents	527,830	447,046
Other assets	1,396,417	1,381,963
Total assets	**$ 29,502,882**	**$ 29,481,075**
LIABILITIES AND CAPITAL		
Liabilities:		
Debt	$ 9,427,124	$ 9,412,631
Accounts payable and accrued expenses	719,679	702,804
Other liabilities	629,576	659,899
Total liabilities	10,776,379	10,775,334
Capital:		
Partners' capital:		
General partner – preferred	68,948	68,948
General partner – common	15,569,622	15,562,210
Limited partners – common	218,162	165,401
Limited partners – Class A common	245,596	248,940
Total partners' capital	16,102,328	16,045,499
Noncontrolling interests	2,624,175	2,660,242
Total capital	18,726,503	18,705,741
Total liabilities and capital	**$ 29,502,882**	**$ 29,481,075**

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

PROLOGIS, L.P.

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per unit amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Rental	$ 426,549	$ 447,960	$ 854,450	$ 887,844
Rental recoveries	118,130	128,417	246,172	255,466
Strategic capital	75,697	180,654	208,658	237,699
Development management and other	900	9,152	5,652	14,329
Total revenues	621,276	766,183	1,314,932	1,395,338
Expenses:				
Rental	133,329	147,794	276,270	300,450
Strategic capital	34,850	51,986	78,710	83,785
General and administrative	57,615	60,077	120,043	113,694
Depreciation and amortization	203,673	228,145	407,754	454,736
Other	4,515	2,909	7,754	5,515
Total expenses	433,982	490,911	890,531	958,180
Operating income	187,294	275,272	424,401	437,158
Other income (expense):				
Earnings from unconsolidated entities, net	62,549	68,596	125,205	117,201
Interest expense	(56,314)	(75,354)	(102,575)	(148,266)
Interest and other income, net	5,641	1,892	7,617	4,677
Gains on dispositions of investments in real estate, net	94,261	83,006	289,372	180,331
Foreign currency and derivative gains (losses), net	85,382	(20,055)	44,288	(27,455)
Gains (losses) on early extinguishment of debt, net	282	(30,596)	(702)	(30,596)
Total other income	191,801	27,489	363,205	95,892
Earnings before income taxes	379,095	302,761	787,606	533,050
Total income tax expense	14,104	14,781	30,656	24,381
Consolidated net earnings	364,991	287,980	756,950	508,669
Less net earnings attributable to noncontrolling interests	18,882	11,986	32,940	22,123
Net earnings attributable to controlling interests	346,109	275,994	724,010	486,546
Less preferred unit distributions	1,476	1,674	2,952	3,348
Net earnings attributable to common unitholders	**$ 344,633**	**$ 274,320**	**$ 721,058**	**$ 483,198**
Weighted average common units outstanding – Basic	540,084	536,060	539,547	535,392
Weighted average common units outstanding – Diluted	554,515	552,114	554,066	550,512
Net earnings per unit attributable to common unitholders – Basic	**$ 0.63**	**$ 0.50**	**$ 1.32**	**$ 0.89**
Net earnings per unit attributable to common unitholders – Diluted	**$ 0.62**	**$ 0.50**	**$ 1.30**	**$ 0.88**
Distributions per common unit	**$ 0.48**	**$ 0.44**	**$ 0.96**	**$ 0.88**

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

PROLOGIS, L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated net earnings	$ 364,991	$ 287,980	$ 756,950	$ 508,669
Other comprehensive income (loss):				
Foreign currency translation gains (losses), net	(147,813)	3,162	(143,043)	42,829
Unrealized gains (losses) on derivative contracts, net	2,131	6,735	(4,156)	9,366
Comprehensive income	219,309	297,877	609,751	560,864
Net earnings attributable to noncontrolling interests	(18,882)	(11,986)	(32,940)	(22,123)
Other comprehensive loss (income) attributable to noncontrolling interests	3,424	(561)	3,205	(48,828)
Comprehensive income attributable to common unitholders	**$ 203,851**	**$ 285,330**	**$ 580,016**	**$ 489,913**

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

PROLOGIS, L.P.

CONSOLIDATED STATEMENT OF CAPITAL
Six Months Ended June 30, 2018
(Unaudited)
(In thousands)

	General Partner				Limited Partners				Non-controlling	
	Preferred		Common		Common		Class A Common			
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Interests	Total
Balance at January 1, 2018	1,379	$ 68,948	532,186	$ 15,562,210	5,656	$ 165,401	8,894	$ 248,940	$ 2,660,242	$ 18,705,741
Consolidated net earnings	-	-	-	703,465	-	9,368	-	11,177	32,940	756,950
Effect of equity compensation plans	-	-	1,117	8,846	2,057	24,835	-	-	-	33,681
Capital contributions	-	-	-	-	-	-	-	-	37,974	37,974
Redemption of noncontrolling interests	-	-	-	(2,792)	-	-	-	-	(3,157)	(5,949)
Redemption of limited partners units	-	-	-	-	(240)	(15,017)	(45)	(2,802)	-	(17,819)
Foreign currency translation losses, net	-	-	-	(135,793)	-	(1,903)	-	(2,142)	(3,205)	(143,043)
Unrealized losses on derivative contracts, net	-	-	-	(4,035)	-	(57)	-	(64)	-	(4,156)
Reallocation of capital	-	-	-	(46,927)	-	44,937	-	1,990	-	-
Distributions and other	-	-	-	(515,352)	-	(9,402)	-	(11,503)	(100,619)	(636,876)
Balance at June 30, 2018	**1,379**	**$ 68,948**	**533,303**	**$ 15,569,622**	**7,473**	**$ 218,162**	**8,849**	**$ 245,596**	**$ 2,624,175**	**$ 18,726,503**

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

PROLOGIS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating activities:		
Consolidated net earnings	$ 756,950	$ 508,669
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Straight-lined rents and amortization of above and below market leases	(26,369)	(48,920)
Equity-based compensation awards	39,082	37,604
Depreciation and amortization	407,754	454,736
Earnings from unconsolidated entities, net	(125,205)	(117,201)
Operating distributions from unconsolidated entities	175,960	141,256
Decrease (increase) in operating receivables from unconsolidated entities	6,589	(117,675)
Amortization of debt discounts (premiums), net of debt issuance costs	5,971	(4,445)
Gains on dispositions of investments in real estate, net	(289,372)	(180,331)
Unrealized foreign currency and derivative losses (gains), net	(52,595)	35,266
Losses on early extinguishment of debt, net	702	30,596
Deferred income tax expense (benefit)	(1,194)	2,268
Decrease (increase) in accounts receivable and other assets	(35,756)	61,452
Decrease in accounts payable and accrued expenses and other liabilities	(89,293)	(58,115)
Net cash provided by operating activities	773,224	745,160
Investing activities:		
Real estate development	(788,604)	(715,294)
Real estate acquisitions	(289,031)	(202,088)
Tenant improvements and lease commissions on previously leased space	(59,342)	(75,342)
Property improvements	(33,289)	(37,253)
Proceeds from dispositions and contributions of real estate properties	901,808	836,107
Investments in and advances to unconsolidated entities	(83,250)	(144,894)
Return of investment from unconsolidated entities	134,640	133,677
Proceeds from repayment of notes receivable backed by real estate	34,260	32,100
Proceeds from the settlement of net investment hedges	-	7,541
Payments on the settlement of net investment hedges	(3,966)	(5,058)
Net cash used in investing activities	(186,774)	(170,504)
Financing activities:		
Proceeds from issuance of common partnership units in exchange for contributions from Prologis, Inc.	4,322	25,374
Distributions paid on common and preferred units	(536,150)	(489,519)
Noncontrolling interests contributions	26,174	135,857
Noncontrolling interests distributions	(100,619)	(81,169)
Settlement of noncontrolling interests	(5,949)	(789,626)
Redemption of common limited partnership units	(17,819)	-
Tax paid for shares withheld	(26,694)	(18,894)
Debt issuance costs paid	(6,386)	(6,151)
Net payments on credit facilities	(307,086)	(33,745)
Repurchase and payments of debt	(1,251,830)	(2,002,519)
Proceeds from issuance of debt	1,721,793	2,134,041
Net cash used in financing activities	(500,244)	(1,126,351)
Effect of foreign currency exchange rate changes on cash	(5,422)	15,733
Net increase (decrease) in cash and cash equivalents	80,784	(535,962)
Cash and cash equivalents, beginning of period	447,046	807,316
Cash and cash equivalents, end of period	**$ 527,830**	**$ 271,354**

See Note 11 for information on noncash investing and financing activities and other information.

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

NOTE 1. GENERAL

Business. Prologis, Inc. (or the "Parent") commenced operations as a fully integrated real estate company in 1997, elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and believes the current organization and method of operation will enable it to maintain its status as a REIT. The Parent is the general partner of Prologis, L.P. (or the "Operating Partnership" or "OP"). Through the OP, we are engaged in the ownership, acquisition, development and management of logistics facilities with a focus on high-barrier, high-growth markets in 19 countries. We invest in real estate through wholly owned subsidiaries and other entities through which we co-invest with partners and investors. We maintain a significant level of ownership in these co-investment ventures, which may be consolidated or unconsolidated based on our level of control of the entity. Our current business strategy consists of two operating business segments: Real Estate Operations and Strategic Capital. Our Real Estate Operations segment represents the ownership and development of logistics properties. Our Strategic Capital segment represents the management of unconsolidated co-investment ventures. See Note 10 for further discussion of our business segments. Unless otherwise indicated, the Notes to the Consolidated Financial Statements apply to both the Parent and the OP. The terms "the Company," "Prologis," "we," "our" or "us" means the Parent and OP collectively.

For each share of preferred or common stock the Parent issues, the OP issues a corresponding preferred or common partnership unit, as applicable, to the Parent in exchange for the contribution of the proceeds from the stock issuance. At June 30, 2018, the Parent owned 97.11% common general partnership interest in the OP and 100% of the preferred units in the OP. The remaining 2.89% common limited partnership interests, which include 8.8 million Class A common limited partnership units ("Class A Units") in the OP, are owned by unaffiliated investors and certain current and former directors and officers of the Parent. Each partner's percentage interest in the OP is determined based on the number of OP units held, including the number of OP units into which Class A Units are convertible, compared to total OP units outstanding at each period end and is used as the basis for the allocation of net income or loss to each partner. At the end of each reporting period, a capital adjustment is made in the OP to reflect the appropriate ownership interest for each of the common unitholders. These adjustments are reflected in the line items *Reallocation of Equity* in the Consolidated Statement of Equity of the Parent and *Reallocation of Capital* in the Consolidated Statement of Capital of the OP.

As the sole general partner of the OP, the Parent has complete responsibility and discretion in the day-to-day management and control of the OP and we operate the Parent and the OP as one enterprise. The management of the Parent consists of the same members as the management of the OP. These members are officers of the Parent and employees of the OP or one of its subsidiaries. As general partner with control of the OP, the Parent is the primary beneficiary and therefore consolidates the OP. Because the Parent's only significant asset is its investment in the OP, the assets and liabilities of the Parent and the OP are the same on their respective financial statements.

Basis of Presentation. The accompanying Consolidated Financial Statements are prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") and are presented in our reporting currency, the U.S. dollar. All material intercompany transactions with consolidated entities have been eliminated.

The accompanying unaudited interim financial information has been prepared according to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in our annual financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. Our management believes that the disclosures presented in these financial statements are adequate to make the information presented not misleading. In our opinion, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for both the Parent and the OP for the reported periods have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year. The accompanying unaudited interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC, and other public information.

New Accounting Pronouncements.

New Accounting Standards Adopted

Revenue Recognition. In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") that requires companies to use a five-step model to determine when to recognize revenue from customer contracts in an effort to increase consistency and comparability throughout global capital markets and across industries. In February 2017, the FASB issued an additional ASU that provides the accounting treatment for gains and losses from the derecognition of non-financial assets, including the accounting for partial sales of real estate properties.

We adopted the revenue recognition and derecognition of non-financial assets standards (collectively "the new revenue recognition standard") on January 1, 2018, on a modified retrospective basis.

Rental revenues and recoveries earned from leasing our operating properties are excluded from this standard and will be assessed with the adoption of the lease ASU discussed below. Our evaluation under the new revenue recognition standard included recurring and

transactional fees and incentive fees ("promotes" or "promote revenues") earned from our co-investment ventures as well as dispositions and contributions of real estate properties. There is no change in our recognition of recurring and transactional fees as we will continue to recognize these fees as we provide the services. Promote revenues are earned based on a venture's cumulative returns over a certain time-period and the returns are determined by both the operating performance and real estate valuation of the venture, including highly variable inputs such as capitalization rates, interest rates and foreign currency exchange rates. As these key inputs are highly volatile and out of our control, and such volatility can materially impact our promotes period over period, we expect promote revenues will continue to be recognized at or near the end of the performance period. Accordingly, we do not expect significant changes in promote revenue recognition as a result of this ASU.

For dispositions of real estate properties to third parties, the standard will not impact the recognition of the sale. Beginning January 1, 2018, we recognized the entire gain attributed to contributions of real estate properties to unconsolidated entities. We previously recognized a gain on contribution only to the extent of the third-party ownership in the unconsolidated entity acquiring the property and deferred the portion of the gain related to our ownership. For discussion of net gains on contributions to unconsolidated entities recognized during the three and six months ended June 30, 2018 and 2017, see Note 2. For deferred gains from partial sales recorded prior to the adoption, we will continue to recognize these gains over the lives of the underlying real estate properties or at the time of disposition to a third party, as discussed in Note 3.

We adopted the practical expedient to only assess the recognition of revenue for open contracts during the transition period and there was no adjustment to the opening balance of retained earnings at January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

New Accounting Standards Issued but not yet Adopted

Leases. In February 2016, the FASB issued an ASU that provides the principles for the recognition, measurement, presentation and disclosure of leases.

- *As a lessor.* The accounting for lessors will remain largely unchanged from current GAAP; however, the standard requires that lessors expense, on an as-incurred basis, certain initial direct costs that are not incremental in negotiating a lease. Under existing standards, these costs are capitalizable and therefore this new standard will result in certain of these costs being expensed as incurred after adoption. During the six months ended June 30, 2018 and 2017, we capitalized $10.5 million and $12.4 million, respectively, of internal costs related to our leasing activities. This standard may also impact the timing, recognition, presentation and disclosures related to our rental recoveries from tenants earned from leasing our operating properties, although we do not expect a significant impact.

- *As a lessee.* Under the standard, lessees apply a dual approach, classifying leases as either finance or operating leases. A lessee is required to record a right-of-use ("ROU") asset and a lease liability for all leases with a term of greater than 12 months, regardless of their lease classification. We are a lessee of ground leases and office space leases. At December 31, 2017, we had approximately 90 ground and office space leases that will require us to measure and record a ROU asset and a lease liability upon adoption of the standard. There have been no significant changes to our ground and office space leases since December 31, 2017. Details of our future minimum rental payments under these ground and office space leases are disclosed in Note 4 to the Annual Report on Form 10-K for the year ended December 31, 2017.

The standard is effective for us on January 1, 2019. We expect to adopt the practical expedients available for implementation under the standard. By adopting these practical expedients, we will not be required to reassess (i) whether an expired or existing contract meets the definition of a lease; (ii) the lease classification at the adoption date for existing leases; and (iii) whether costs previously capitalized as initial direct costs would continue to be amortized. This allows us to continue to account for our ground and office space leases as operating leases, however, any new or renewed ground leases may be classified as financing leases unless they meet certain conditions to be considered a lease involving facilities owned by a government unit or authority. The standard will also require new disclosures within the accompanying notes to the Consolidated Financial Statements. While we are well into our analysis of the adoption, we will continue to evaluate the key drivers in the measurement of the ROU asset and lease liability and assess the impact the adoption will have on the Consolidated Financial Statements based on industry practice and potential updates to the ASU.

Derivatives and Hedging. In August 2017, the FASB issued an ASU that simplifies the application of hedge accounting guidance in current GAAP and improves the reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its consolidated financial statements. Among the simplification updates, the standard eliminates the requirement in current GAAP to separately recognize periodic hedge ineffectiveness. Mismatches between the changes in value of the hedged item and hedging instrument may still occur but they will no longer be separately reported. The standard requires the presentation of the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The standard is effective for us on January 1, 2019, but early adoption is permitted. We do not expect the adoption of this standard to have a material impact on the Consolidated Financial Statements.

NOTE 2. REAL ESTATE

Investments in real estate properties consisted of the following (dollars and square feet in thousands):

	Square Feet		Number of Buildings			
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Operating properties (1):						
Buildings and improvements	287,393	294,811	1,477	1,525	$ 16,658,627	$ 16,849,349
Improved land					5,608,507	5,735,978
Development portfolio, including land costs:						
Prestabilized	6,024	7,345	20	22	471,491	546,173
Properties under development	21,317	22,216	63	63	1,184,404	1,047,316
Land (1) (2)					1,111,185	1,154,383
Other real estate investments (3)					521,129	505,445
Total investments in real estate properties					25,555,343	25,838,644
Less accumulated depreciation					4,283,877	4,059,348
Net investments in real estate properties					**$ 21,271,466**	**$ 21,779,296**

(1) During the six months ended June 30, 2018, we acquired 808 acres of land for $211.2 million and 3 operating properties for $103.1 million.

(2) Included in our investments in real estate at June 30, 2018 and December 31, 2017, were 5,220 and 5,191 acres of land, respectively.

(3) Included in other real estate investments were: (i) non-logistics real estate; (ii) land parcels that are ground leased to third parties; (iii) our corporate headquarters; (iv) costs related to future development projects, including purchase options on land; (v) infrastructure costs related to projects we are developing on behalf of others; and (vi) earnest money deposits associated with potential acquisitions.

Dispositions

The following table summarizes our real estate disposition activity (dollars and square feet in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Contributions to unconsolidated co-investment ventures				
Number of properties	3	5	11	10
Square feet	1,164	875	4,242	3,644
Net proceeds (1)	$ 125,917	$ 115,617	$ 665,739	$ 513,106
Gains on contributions, net (1) (2)	$ 33,527	$ 37,702	$ 201,253	$ 126,068
Dispositions to third parties				
Number of properties	7	20	18	38
Square feet	4,139	3,720	5,442	6,038
Net proceeds (1) (3)	$ 314,141	$ 216,290	$ 402,122	$ 459,679
Gains on dispositions, net (1) (3)	$ 60,734	$ 45,304	$ 88,119	$ 54,263
Total gains on dispositions of investments in real estate, net	**$ 94,261**	**$ 83,006**	**$ 289,372**	**$ 180,331**

(1) Includes the contribution and disposition of land parcels.

(2) Amounts in 2018 reflect the adoption of the new revenue recognition standard under which we recognized the entire gain attributed to contributions of real estate properties to unconsolidated entities. Amounts in 2017 reflect our prior recognition of the gain to the extent of the third-party ownership in the unconsolidated entity acquiring the property with the deferral of a portion of the gain related to our ownership.

(3) Includes the sale of our investment in Europe Logistics Venture 1 during the six months ended June 30, 2017.

NOTE 3. UNCONSOLIDATED ENTITIES

Summary of Investments

We have investments in entities through a variety of ventures. We co-invest in entities that own multiple properties with partners and investors and we provide asset and property management services to these entities, which we refer to as co-investment ventures. These entities may be consolidated or unconsolidated, depending on the structure, our partner's participation and other rights and our level of control of the entity. This note details our investments in unconsolidated co-investment ventures, which are accounted for using the equity method of accounting. See Note 6 for more detail regarding our consolidated investments that are not wholly owned.

We also have other ventures, generally with one partner and that we do not manage, which we account for using the equity method. We refer to our investments in all entities accounted for using the equity method, both unconsolidated co-investment ventures and other ventures, collectively, as unconsolidated entities.

The following table summarizes our investments in and advances to our unconsolidated entities (in thousands):

	June 30, 2018	December 31, 2017
Unconsolidated co-investment ventures	$ 5,207,093	$ 5,274,702
Other ventures	207,530	221,748
Total	**$ 5,414,623**	**$ 5,496,450**

Unconsolidated Co-Investment Ventures

The following table summarizes the *Strategic Capital Revenues* we recognized in the Consolidated Statements of Income related to our unconsolidated co-investment ventures (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Recurring fees	$ 57,918	$ 43,478	$ 112,562	$ 87,673
Transactional fees	11,828	12,626	27,452	21,219
Promote revenues	5,674	123,946	68,218	127,092
Total strategic capital revenues from unconsolidated co-investment ventures	**$ 75,420**	**$ 180,050**	**$ 208,232**	**$ 235,984**

The following table summarizes the key property information, financial position and operating information of our unconsolidated co-investment ventures (not our proportionate share) and the amounts we recognized in the Consolidated Financial Statements related to our unconsolidated co-investment ventures (dollars and square feet in millions):

	U.S.		Other Americas		Europe		Asia		Total	
As of:	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
Key property information										
Ventures	1	1	2	2	3	3	2	2	**8**	**8**
Operating properties	554	552	205	205	653	707	114	95	**1,526**	**1,559**
Square feet	88	88	37	37	154	166	48	41	**327**	**332**
Financial position										
Unconsolidated co-investment ventures:										
Total assets ($)	7,188	7,062	2,073	2,118	13,176	13,586	6,694	6,133	**29,131**	**28,899**
Third-party debt ($)	2,098	2,313	752	756	2,650	2,682	2,577	2,328	**8,077**	**8,079**
Total liabilities ($)	2,307	2,520	788	782	3,689	3,655	2,881	2,685	**9,665**	**9,642**
Our investment balance ($) (1)	1,365	1,383	561	555	2,699	2,813	582	524	**5,207**	**5,275**
Our weighted average ownership (2)	26.7 %	28.2 %	43.8 %	43.4 %	32.9 %	32.8 %	15.1 %	15.1 %	**28.2 %**	**28.8 %**

	U.S.		Other Americas		Europe		Asia		Total	
Operating information	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
For the three months ended:										
Unconsolidated co-investment ventures:										
Total revenues ($)	168	105	55	66	272	248	114	89	**609**	**508**
Net earnings ($)	24	15	19	22	110	93	6	93	**159**	**223**
Our earnings from unconsolidated co-investment ventures, net ($)	7	2	8	10	37	36	2	14	**54**	**62**
For the six months ended:										
Unconsolidated co-investment ventures:										
Total revenues ($)	336	209	108	130	560	492	222	177	**1,226**	**1,008**
Net earnings ($)	37	51	33	39	203	166	48	117	**321**	**373**
Our earnings from unconsolidated co-investment ventures, net ($)	12	7	14	16	74	66	9	18	**109**	**107**

(1) Prologis' investment balance is presented at our adjusted basis derived from the ventures' U.S. GAAP information. The difference between our ownership interest of a venture's equity and our investment balance at June 30, 2018 and December 31, 2017, results principally from three types of transactions: (i) deferred gains from the contribution of property to a venture prior to January 1, 2018 ($651.8 million and $667.3 million, respectively); (ii) recording additional costs associated with our investment in the venture ($92.4 million and $94.2 million, respectively); and (iii) advances to a venture ($219.9 million and $210.0 million, respectively). For deferred gains from partial sales recorded prior to the adoption the new revenue recognition standard, we will continue to recognize these gains over the lives of the underlying real estate properties or at the time of disposition to a third party.

(2) Represents our weighted average ownership interest in all co-investment ventures based on each entity's contribution of total assets, before depreciation, net of other liabilities.

Equity Commitments Related to Certain Unconsolidated Co-Investment Ventures

The following table summarizes the remaining equity commitments at June 30, 2018 (in millions):

	Equity Commitments			Expiration Date
	Prologis	Venture Partners	Total	
Prologis Targeted U.S. Logistics Fund	$ -	$ 178	$ 178	2019
Prologis European Logistics Fund (1)	-	1,201	1,201	2018 – 2019
Prologis UK Logistics Venture (2)	18	102	120	2021
Prologis China Logistics Venture	267	1,510	1,777	2020 – 2024
Total	**$ 285**	**$ 2,991**	**$ 3,276**	

(1) Equity commitments are denominated in euro and reported in U.S. dollars based on an exchange rate of $1.17 U.S. dollars to the euro.

(2) Equity commitments are denominated in British pounds sterling and reported in U.S. dollars based on an exchange rate of $1.32 U.S. dollars to the British pound sterling.

NOTE 4. ASSETS HELD FOR SALE OR CONTRIBUTION

We have investments in certain real estate properties that met the criteria to be classified as held for sale or contribution at June 30, 2018 and December 31, 2017. At the time of classification, these properties were expected to be sold to third parties or were recently developed and expected to be contributed to unconsolidated co-investment ventures within twelve months. The amounts included in *Assets Held for Sale or Contribution* represented real estate investment balances and the related assets for each property.

Assets held for sale or contribution consisted of the following (dollars and square feet in thousands):

	June 30, 2018	December 31, 2017
Number of operating properties	73	22
Square feet	14,735	5,384
Total assets held for sale or contribution	$ 892,546	$ 342,060
Total liabilities associated with assets held for sale or contribution – included in *Other Liabilities*	$ 22,829	$ 9,341

NOTE 5. DEBT

All debt is incurred by the OP. The Parent does not have any indebtedness, but guarantees the unsecured debt issued by the OP.

The following table summarizes our debt (dollars in thousands):

	June 30, 2018		December 31, 2017	
	Weighted Average Interest Rate (1)	Amount Outstanding (2)	Weighted Average Interest Rate (1)	Amount Outstanding (2)
Credit facilities	0.9 %	$ 11,658	1.8 %	$ 317,392
Senior notes	2.9 %	7,102,381	3.0 %	6,067,277
Term loans	1.2 %	1,402,568	1.7 %	2,046,945
Unsecured other	6.1 %	13,093	6.1 %	13,546
Secured mortgages	5.5 %	897,424	5.3 %	967,471
Total	**2.9 %**	**$ 9,427,124**	**2.9 %**	**$ 9,412,631**

(1) The interest rates presented represent the effective interest rates (including amortization of debt issuance costs and the noncash premiums or discounts) at the end of the period for the debt outstanding and include the impact of interest rate swaps designated as cash flow hedges, which effectively fix the interest rate on our variable rate debt.

(2) Included in the outstanding balances were borrowings denominated in non-U.S. dollars. The following table summarizes our debt by currency (in thousands):

	June 30, 2018	December 31, 2017
British pound sterling	$ 653,632	$ 671,522
Canadian dollar	274,180	451,080
Euro	4,184,844	3,839,422
Japanese yen	1,276,029	1,306,380
U.S. dollar	3,038,439	3,144,227
Total	**$ 9,427,124**	**$ 9,412,631**

Generally, we borrow in the functional currency of the consolidated subsidiaries but we also borrow in currencies other than the U.S. dollar in the OP and may designate this borrowing as a nonderivative financial instrument. We may also hedge our foreign currency risk by designating derivative financial instruments as net investment hedges, as these amounts offset the translation adjustments on the underlying net assets of our foreign investments. See Note 9 for more information about our nonderivative and derivative financial instruments.

Credit Facilities

We have a global senior credit facility (the “Global Facility”), under which we may draw in British pounds sterling, Canadian dollars, euro, Japanese yen and U.S. dollars on a revolving basis up to $3.0 billion (subject to currency fluctuations). We have the ability to increase the Global Facility to $3.8 billion, subject to currency fluctuations and obtaining additional lender commitments. Pricing under the Global Facility, including the spread over LIBOR, facility fees and letter of credit fees, varies based on the public debt ratings of the OP. The Global Facility is scheduled to mature in April 2020; however, we may extend the maturity date for six months on two occasions, subject to the satisfaction of certain conditions and payment of extension fees.

We also have a Japanese yen revolver (the “Revolver”) with availability of ¥50.0 billion ($451.7 million at June 30, 2018). We have the ability to increase the Revolver to ¥65.0 billion ($587.2 million at June 30, 2018), subject to obtaining additional lender commitments. Pricing under the Revolver, including the spread over LIBOR, facility fees and letter of credit fees, varies based on the public debt ratings of the OP. The Revolver is scheduled to mature in February 2021; however, we may extend the maturity date for one year, subject to the satisfaction of certain conditions and payment of extension fees.

We refer to the Global Facility and the Revolver, collectively, as our “Credit Facilities.”

The following table summarizes information about our Credit Facilities at June 30, 2018 (in millions):

Aggregate lender commitments	$ 3,479
Less:	
Borrowings outstanding	12
Outstanding letters of credit	31
Current availability	**$ 3,436**

Senior Notes

In January 2018, we issued €400.0 million ($494.2 million) of senior notes bearing a floating rate of Euribor plus 0.25%, maturing in January 2020. The exchange rate used to calculate into U.S. dollars was the spot rate at the date of the transaction. The effective interest rate was -0.08% at June 30, 2018, primarily due to the amortization of the net premium on the debt. In association with the issuance, we entered into cash flow hedges to effectively fix the interest rate, as discussed in Note 9. Following the issuance, we used the proceeds to pay down our multi-currency term loan (the “2017 Term Loan”) during the first quarter of 2018.

In June 2018, we issued $400.0 million of senior notes that bear an interest rate of 3.88% and mature in September 2028 and $300.0 million of senior notes that bear an interest rate of 4.38% and mature in September 2048. Following the issuance, we used the proceeds to pay down our Global Facility in the second quarter of 2018 and our Canadian term loan (the “2015 Canadian Term Loan”) in July 2018.

Term Loans

During the six months ended June 30, 2018, we borrowed on our Global Facility and paid down CAD 201.4 million ($158.9 million) on the 2015 Canadian Term Loan, leaving CAD $170.5 million ($128.7 million at June 30, 2018) outstanding. In association with the pay down of the 2015 Canadian Term Loan, we terminated our Canadian denominated cash flow hedges in February 2018. See Note 9 for more information.

During the six months ended June 30, 2018 and 2017, we paid down $1.0 billion and $575.7 million, and reborrowed $500.0 million and $877.5 million, on our 2017 Term Loan.

Long-Term Debt Maturities

Principal payments due on our debt for the remainder of 2018 and for each year through the period ended December 31, 2022, and thereafter were as follows at June 30, 2018 (in thousands):

	Unsecured				
Maturity	**Credit Facilities**	**Senior Notes**	**Term Loans and Other**	**Secured Mortgages**	**Total**
2018 (1)	$ -	$ -	$ 492	$ 108,137	$ 108,629
2019 (1)	-	-	1,014	446,328	447,342
2020 (2)	11,658	1,165,802	1,077	12,409	1,190,946
2021	-	816,060	910	14,600	831,570
2022	-	816,060	452,455	10,636	1,279,151
Thereafter	-	4,356,824	968,756	306,385	5,631,965
Subtotal	11,658	7,154,746	1,424,704	898,495	9,489,603
Premiums (discounts), net	-	(23,909)	-	2,212	(21,697)
Debt issuance costs, net	-	(28,456)	(9,043)	(3,283)	(40,782)
Total	**$ 11,658**	**$ 7,102,381**	**$ 1,415,661**	**$ 897,424**	**$ 9,427,124**

(1) We expect to repay the amounts maturing in the next twelve months with cash generated from operations, proceeds from dispositions of real estate properties, or as necessary, with borrowings on our Credit Facilities.

(2) Included in the 2020 maturities was the Global Facility that can be extended until 2021, as discussed above.

Financial Debt Covenants

We have $7.1 billion of senior notes and $1.4 billion of term loans outstanding at June 30, 2018 under two separate indentures, as supplemented, that were subject to certain financial covenants. We are also subject to financial covenants under our Credit Facilities and certain secured mortgages. At June 30, 2018, we were in compliance with all of our financial debt covenants.

Guarantee of Finance Subsidiary Debt

In July 2018, we formed a finance subsidiary as part of our European operations, Prologis Euro Finance LLC (“Euro Finance Subsidiary”), that is 100% indirectly owned by the OP. All unsecured debt issued by the Euro Finance Subsidiary will be fully and unconditionally guaranteed by the OP. There are no restrictions or limits on the OP’s ability to obtain funds from its subsidiaries by dividend or loan. In reliance on Rule 3-10 of Regulation S-X, the separate financial statements of the Euro Finance Subsidiary are not provided.

NOTE 6. NONCONTROLLING INTERESTS

Prologis, L.P.

We report noncontrolling interests related to several entities we consolidate but of which we do not own 100% of the equity. These entities include two real estate partnerships that have issued limited partnership units to third parties. Depending on the specific partnership agreements, these limited partnership units are redeemable for cash or, at our option into shares of the Parent’s common stock, generally at a rate of one share of common stock to one unit. We also consolidate certain entities in which we do not own 100% of the equity but the equity of these entities is not exchangeable into our common stock.

Prologis, Inc.

The noncontrolling interests of the Parent include the noncontrolling interests for the OP, as well as the limited partnership units in the OP that are not owned by the Parent.

The following table summarizes our ownership percentages, noncontrolling interests and the consolidated entities' total assets and liabilities (dollars in thousands):

	Our Ownership Percentage		Noncontrolling Interests		Total Assets		Total Liabilities	
	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
Prologis U.S. Logistics Venture	55.0%	55.0%	$ 2,539,930	$ 2,581,629	$ 6,186,215	$ 6,030,819	$ 238,101	$ 284,162
Other consolidated entities (1)	various	various	84,245	78,613	820,113	806,138	29,813	30,330
Prologis, L.P.			**2,624,175**	**2,660,242**	**7,006,328**	**6,836,957**	**267,914**	**314,492**
Limited partners in Prologis, L.P. (2) (3)			463,758	414,341	-	-	-	-
Prologis, Inc.			**$ 3,087,933**	**$ 3,074,583**	**$ 7,006,328**	**$ 6,836,957**	**$ 267,914**	**$ 314,492**

(1) This line item includes our two partnerships that have issued limited partnership units to third parties, as discussed above, along with various other consolidated entities. The limited partnership units outstanding at June 30, 2018 and December 31, 2017 were exchangeable into cash or, at our option, 0.9 million and 1.0 million shares of the Parent's common stock.

(2) We had 8.8 million and 8.9 million Class A Units that were convertible into 8.4 million and 8.5 million limited partnership units of the OP at June 30, 2018 and December 31, 2017, respectively.

(3) At June 30, 2018 and December 31, 2017, excluding the Class A Units, there were limited partnership units in the OP that were exchangeable into cash or, at our option, 3.9 million and 4.1 million shares of the Parent's common stock, respectively. Also included are the vested OP Long-Term Incentive Plan Units ("LTIP Units") associated with our long-term compensation plan. See further discussion of LTIP Units in Note 7.

NOTE 7. LONG-TERM COMPENSATION

Equity-Based Compensation Plans and Programs

Prologis Outperformance Plan ("POP")

We allocate participation points to participants under our POP corresponding to three-year performance periods beginning January 1. The fair value of the awards is measured at the grant date and amortized over the period from the grant date to the date at which the awards vest, which range from three to ten years. POP awards are earned to the extent our three-year compound annualized total stockholder return ("TSR") for the performance period is positive and exceeds the three-year compound annualized TSR for the Morgan Stanley Capital International ("MSCI") US REIT Index for the same period plus 100 basis points.

We granted participation points for the 2018 – 2020 performance period in January 2018, with a fair value of $23.3 million using a Monte Carlo valuation model that assumed a risk-free interest rate of 2.1% and an expected volatility of 16.5%. The 2018 – 2020 performance period has an absolute maximum cap of $100 million. If the award is earned then 20% of the POP award is paid at the end of the performance period and the remaining 80% is subject to additional seven-year cliff vesting. The 20% that is paid at the end of the three-year performance period is subject to an additional three-year holding requirement.

The performance criteria were met for the 2015 – 2017 performance period, which resulted in awards being earned at December 31, 2017. An aggregate performance pool of $110.2 million was awarded in January 2018 in the form of 0.6 million shares of common stock and 1.2 million vested LTIP Units.

Other Equity-Based Compensation Plans and Programs

Our other equity-based compensation plans and programs include (i) the Prologis Promote Plan ("PPP"); (ii) the annual long-term incentive ("LTI") equity award program ("Annual LTI Award"); and (iii) the annual bonus exchange program. Awards under these plans and programs may be issued in the form of restricted stock units ("RSUs") or LTIP Units at the participant's election. RSUs and LTIP Units are valued based on the market price of the Parent's common stock on the date the award is granted and is charged to compensation expense over the service period. Beginning in February 2018 with awards for PPP and Annual LTI Awards, the service period is four years.

Summary of Award Activity

RSUs

The following table summarizes the activity for RSUs for the six months ended June 30, 2018 (units in thousands):

	Unvested RSUs	Weighted Average Grant Date Fair Value
Balance at January 1, 2018	1,374	$ 45.57
Granted	738	61.01
Vested and distributed	(769)	45.36
Forfeited	(31)	53.71
Balance at June 30, 2018	**1,312**	**$ 54.21**

LTIP Units

The following table summarizes the activity for LTIP Units for the six months ended June 30, 2018 (units in thousands):

	Vested LTIP Units (1)	Unvested LTIP Units (1)	Unvested Weighted Average Grant Date Fair Value
Balance at January 1, 2018	1,532	1,829	$ 46.48
Granted	-	1,246	60.95
Forfeited	-	(70)	47.66
Vested LTIP Units	887	(887)	45.25
Vested LTIP Units – POP (2)	1,170	-	N/A
Conversion to common limited partnership units	(52)	-	N/A
Balance at June 30, 2018	**3,537**	**2,118**	**$ 55.46**

(1) The outstanding LTIP Units are exchangeable into limited partnership units of the OP and redeemable for the Parent's common stock after they vest and other applicable conditions have been met.

(2) Vested units were based on the POP performance criteria being met for the 2015 – 2017 performance period and represented the earned award amount, as discussed above.

NOTE 8. EARNINGS PER COMMON SHARE OR UNIT

We determine basic earnings per share or unit based on the weighted average number of shares of common stock or units outstanding during the period. We compute diluted earnings per share or unit based on the weighted average number of shares or units outstanding combined with the incremental weighted average effect from all outstanding potentially dilutive instruments.

The computation of our basic and diluted earnings per share and unit was as follows (in thousands, except per share and unit amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
Prologis, Inc.	**2018**	**2017**	**2018**	**2017**
Net earnings attributable to common stockholders – Basic	$ 334,611	$ 266,943	$ 700,513	$ 470,198
Net earnings attributable to exchangeable limited partnership units (1)	10,216	7,798	20,909	13,765
Adjusted net earnings attributable to common stockholders – Diluted	**$ 344,827**	**$ 274,741**	**$ 721,422**	**$ 483,963**
Weighted average common shares outstanding – Basic	532,639	530,040	532,427	529,400
Incremental weighted average effect on exchange of limited partnership units (1)	16,847	16,364	16,560	16,409
Incremental weighted average effect of equity awards	5,029	5,710	5,079	4,703
Weighted average common shares outstanding – Diluted (2)	**554,515**	**552,114**	**554,066**	**550,512**
Net earnings per share attributable to common stockholders:				
Basic	**$ 0.63**	**$ 0.50**	**$ 1.32**	**$ 0.89**
Diluted	**$ 0.62**	**$ 0.50**	**$ 1.30**	**$ 0.88**

Prologis, L.P.	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net earnings attributable to common unitholders	$ 344,633	$ 274,320	$ 721,058	$ 483,198
Net earnings attributable to Class A Units	(5,324)	(4,347)	(11,177)	(7,678)
Net earnings attributable to common unitholders – Basic	339,309	269,973	709,881	475,520
Net earnings attributable to Class A Units	5,324	4,347	11,177	7,678
Net earnings attributable to exchangeable other limited partnership units	194	421	364	765
Adjusted net earnings attributable to common unitholders – Diluted	**$ 344,827**	**$ 274,741**	**$ 721,422**	**$ 483,963**
Weighted average common partnership units outstanding – Basic	540,084	536,060	539,547	535,392
Incremental weighted average effect on exchange of Class A Units	8,477	8,626	8,495	8,645
Incremental weighted average effect on exchange of other limited partnership units	925	1,718	945	1,772
Incremental weighted average effect of equity awards of Prologis, Inc.	5,029	5,710	5,079	4,703
Weighted average common units outstanding – Diluted (2)	**554,515**	**552,114**	**554,066**	**550,512**
Net earnings per unit attributable to common unitholders:				
Basic	**$ 0.63**	**$ 0.50**	**$ 1.32**	**$ 0.89**
Diluted	**$ 0.62**	**$ 0.50**	**$ 1.30**	**$ 0.88**

(1) The exchangeable limited partnership units include the units as discussed in Note 6. Earnings allocated to the exchangeable OP units not held by the Parent have been included in the numerator and exchangeable common units have been included in the denominator for the purpose of computing diluted earnings per share for all periods as the per share and unit amount is the same.

(2) Our total weighted average potentially dilutive shares and units outstanding consisted of the following:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Class A Units	8,477	8,626	8,495	8,645
Other limited partnership units	925	1,718	945	1,772
Equity awards	8,432	9,355	8,391	8,583
Prologis, L.P.	**17,834**	**19,699**	**17,831**	**19,000**
Common limited partnership units	7,445	6,020	7,120	5,992
Prologis, Inc.	**25,279**	**25,719**	**24,951**	**24,992**

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Financial Instruments

In the normal course of business, our operations are exposed to market risks, including the effect of changes in foreign currency exchange rates and interest rates. We enter into derivative financial instruments to offset these underlying market risks. There have been no significant changes in our policy or strategy from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

The following table presents the fair value of our derivative financial instruments recognized within the line items *Other Assets* and *Other Liabilities* on the Consolidated Balance Sheet (in thousands):

	June 30, 2018		December 31, 2017	
	Asset	**Liability**	**Asset**	**Liability**
Undesignated derivatives				
Foreign currency contracts				
Forwards				
British pound sterling	$ 142	$ 4,017	$ 2,440	$ 8,103
Canadian dollar	1,469	253	-	1,698
Euro	3,619	6,380	2	14,234
Japanese yen	3,992	1,235	6,474	931
Mexican peso	373	-	-	-
Designated derivatives				
Foreign currency contracts				
Net investment hedges				
Canadian dollar	1,871	-	-	7,263
Euro	-	280	-	-
Interest rate swaps				
Cash flow hedges				
Canadian dollar	-	-	10,223	-
Euro	-	555	-	-
Total fair value of derivatives	**$ 11,466**	**$ 12,720**	**$ 19,139**	**$ 32,229**

Undesignated Derivative Financial Instruments

Foreign Currency Contracts

The following table summarizes the activity of our undesignated foreign currency contracts for the six months ended June 30 (in millions, except for weighted average forward rates and number of active contracts):

	2018						2017			
	CAD	**CNY**	**EUR**	**GBP**	**JPY**	**MXN**	**CAD**	**EUR**	**GBP**	**JPY**
Notional amounts at January 1	$ 56	$ -	$ 233	$ 132	$ 153	$ -	$ 38	$ 197	$ 78	$ 144
New contracts	13	80	54	-	28	10	-	63	137	38
Matured, expired or settled contracts	(14)	(80)	(55)	(36)	(36)	(10)	(12)	(56)	(46)	(31)
Notional amounts at June 30	**$ 55**	**$ -**	**$ 232**	**$ 96**	**$ 145**	**$ -**	**$ 26**	**$ 204**	**$ 169**	**$ 151**
Weighted average forward rate at June 30	**1.28**	**-**	**1.20**	**1.30**	**105.53**	**-**	**1.32**	**1.13**	**1.33**	**106.51**
Active contracts at June 30	**24**	**-**	**29**	**16**	**32**	**-**	**12**	**26**	**22**	**32**

During the six months ended June 30, 2018 and 2017, we exercised 31 and 22 forward contracts, respectively. We recognized realized losses of $1.1 million and $7.9 million for the three and six months ended June 30, 2018, respectively, and gains of $3.6 million and $8.9 million for the three and six months ended June 30, 2017, respectively, from contracts that matured, expired or settled in *Foreign Currency and Derivative Gain (Losses), Net* in the Consolidated Statements of Income.

We recognized unrealized gains of $30.1 million and $17.2 million for the three and six months ended June 30, 2018, respectively, and unrealized losses of $18.8 million and $32.5 million for the three and six months ended June 30, 2017, respectively, from the change in value of our outstanding foreign currency contracts within *Foreign Currency and Derivative Gains (Losses), Net* in the Consolidated Statements of Income.

Designated Derivative Financial Instruments

Foreign Currency Contracts

The following table summarizes the activity of our foreign currency contracts designated as net investment hedges for the six months ended June 30 (in millions, except for weighted average forward rates and number of active contracts):

	2018		2017	
	CAD	EUR	CAD	GBP
Notional amounts at January 1	$ 99	$ -	$ 100	$ 46
New contracts	100	35	99	127
Matured, expired or settled contracts	(99)	-	(100)	(173)
Notional amounts at June 30	**$ 100**	**$ 35**	**$ 99**	**$ -**
Weighted average forward rate at June 30	**1.28**	**1.16**	**1.34**	**-**
Active contracts at June 30	**2**	**1**	**2**	**-**

Interest Rate Swaps

The following table summarizes the activity of our interest rate swaps designated as cash flow hedges for the six months ended June 30 (in millions):

	2018			2017
	CAD	EUR	USD	CAD
Notional amounts at January 1	$ 271	$ -	$ -	$ 271
New contracts (1)	-	500	300	-
Matured, expired or settled contracts (2)	(271)	-	(300)	-
Notional amounts at June 30	**$ -**	**$ 500**	**$ -**	**$ 271**

(1) During the six months ended June 30, 2018, we entered into two interest rate swap contracts with an aggregated notional amount of €400.0 million ($499.7 million) to effectively fix the interest rate on our senior notes bearing a floating rate of Euribor plus 0.25% issued in January 2018.

(2) During the six months ended June 30, 2018, we repaid CAD 201.4 million ($158.9 million) on our 2015 Canadian Term Loan, leaving CAD 170.5 million ($128.7 million at June 30, 2018) outstanding. At that time, we settled the interest rate swap contracts related to the 2015 Canadian Term Loan as we determined at that time it was no longer probable that we would continue to have the future cash flows as originally hedged. As a result, the $12.5 million gain in *Accumulated Other Comprehensive Income (Loss) "AOCI/L"* at the time of settlement was reclassified to *Interest Expense* during the first quarter of 2018.

During the six months ended June 30, 2018 and 2017, we had no losses due to hedge ineffectiveness.

Designated Nonderivative Financial Instruments

The following table summarizes our debt, net of accrued interest, designated as a nonderivative financial instrument to hedge our net investment in international subsidiaries (in millions):

	June 30, 2018	December 31, 2017
British pound sterling	$ 267	$ 436
Euro	$ 3,550	$ 3,620

We recognized unrealized gains of $64.6 million and $40.3 million in *Foreign Currency and Derivative Losses, Net* on the unhedged portion of our debt, net of accrued interest, for the three and six months ended June 30, 2018, respectively. We recognized unrealized losses of $7.2 million and $11.3 million for the three and six months ended June 30, 2017, respectively.

Other Comprehensive Income (Loss)

The change in *Other Comprehensive Income (Loss)* in the Consolidated Statements of Comprehensive Income during the periods presented is due to the translation into U.S. dollars on consolidation of the financial statements of our consolidated subsidiaries whose functional currency is not the U.S. dollar. The change in fair value of the effective portion of our derivative financial instruments that have been designated as net investment hedges and cash flow hedges and the translation of our nonderivative financial instruments as discussed above are also included in *Other Comprehensive Income (Loss).*

The following table presents these changes in *Other Comprehensive Income (Loss)* (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net investment hedges	$ 1,740	$ 7,197	$ 4,833	$ 9,491
Nonderivative financial instruments	223,739	(229,666)	113,862	(274,192)
Cumulative translation adjustment	(373,292)	225,631	(261,738)	307,530
Total foreign currency translation gains (losses), net	$ (147,813)	$ 3,162	$ (143,043)	$ 42,829
Cash flow hedges (1)	$ 963	$ 4,559	$ (8,322)	$ 4,988
Our share of derivatives from unconsolidated co-investment ventures	1,168	2,176	4,166	4,378
Total unrealized gains (losses) on derivative contracts, net	$ 2,131	$ 6,735	$ (4,156)	$ 9,366
Total change in other comprehensive income (loss)	**$ (145,682)**	**$ 9,897**	**$ (147,199)**	**$ 52,195**

(1) We estimate an additional expense of $4.2 million will be reclassified to *Interest Expense* over the next 12 months from June 30, 2018, due to the amortization of previously settled derivatives designated as cash flow hedges.

Fair Value Measurements

There have been no significant changes in our policy from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

Fair Value Measurements on a Recurring Basis

At June 30, 2018, and December 31, 2017, other than the derivatives discussed previously, we did not have any significant financial assets or financial liabilities that were measured at fair value on a recurring basis in the Consolidated Financial Statements. All of our derivatives held at June 30, 2018, and December 31, 2017, were classified as Level 2 of the fair value hierarchy.

Fair Value Measurements on Nonrecurring Basis

Acquired properties and assets we expect to sell or contribute met the criteria to be measured on a nonrecurring basis at fair value and the lower of their carrying amount or their estimated fair value less the costs to sell, respectively, at June 30, 2018 and December 31, 2017. At June 30, 2018 and December 31, 2017, we estimate the fair value of our properties using Level 2 or Level 3 inputs from the fair value hierarchy. See more information on our acquired properties and assets held for sale or contribution in Notes 2 and 4, respectively.

Fair Value of Financial Instruments

At June 30, 2018, and December 31, 2017, the carrying amounts of certain financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses were representative of their fair values.

The differences in the fair value of our debt from the carrying value in the table below were the result of differences in interest rates or borrowing spreads that were available to us at June 30, 2018 and December 31, 2017, as compared with those in effect when the debt was issued or assumed, including reduced borrowing spreads due to our improved credit ratings. The senior notes and many of the issuances of secured mortgages contain pre-payment penalties or yield maintenance provisions that could make the cost of refinancing the debt at lower rates exceed the benefit that would be derived from doing so.

The following table reflects the carrying amounts and estimated fair values of our debt (in thousands):

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit Facilities	$ 11,658	$ 11,660	$ 317,392	$ 317,496
Senior notes	7,102,381	7,447,585	6,067,277	6,537,100
Term loans and unsecured other	1,415,661	1,431,793	2,060,491	2,075,002
Secured mortgages	897,424	937,205	967,471	1,026,197
Total	**$ 9,427,124**	**$ 9,828,243**	**$ 9,412,631**	**$ 9,955,795**

NOTE 10. BUSINESS SEGMENTS

Our current business strategy consists of two operating segments: Real Estate Operations and Strategic Capital. We generate revenues, net operating income, earnings and cash flows through our segments, as follows:

- **Real Estate Operations.** This operating segment represents the ownership and development of operating properties and is the largest component of our revenues and earnings. We collect rent from our customers through operating leases, including reimbursements for the majority of our property operating costs. Each operating property is considered to be an individual operating segment with similar economic characteristics; these properties are combined within the reportable business segment based on geographic location. Our Real Estate Operations segment also includes development activities that lead to rental operations, including land held for development and properties currently under development. Within this line of business, we utilize the following: (i) our land bank; (ii) the development expertise of our local teams; and (iii) our customer relationships. Land we own and lease to customers under ground leases is also included in this segment.

- **Strategic Capital.** This operating segment represents the management of unconsolidated co-investment ventures. We generate strategic capital revenues primarily from our unconsolidated co-investment ventures through asset and property management services and we earn additional revenues by providing leasing, acquisition, construction, development, financing, legal and disposition services. Depending on the structure of the venture and the returns provided to our partners, we also earn revenues through promotes periodically during the life of a venture or upon liquidation. Each unconsolidated co-investment venture we manage is considered to be an individual operating segment with similar economic characteristics; these ventures are combined within the reportable business segment based on geographic location.

Reconciliations are presented below for: (i) each reportable business segment's revenues from external customers to *Total Revenues*; (ii) each reportable business segment's net operating income from external customers to *Operating Income* and *Earnings Before Income Taxes*; and (iii) each reportable business segment's assets to *Total Assets*. Our chief operating decision makers rely primarily on net operating income and similar measures to make decisions about allocating resources and assessing segment performance. The applicable components of *Total Revenues, Operating Income, Earnings Before Income Taxes* and *Total Assets* are allocated to each reportable business segment's revenues, net operating income and assets. Items that are not directly assignable to a segment, such as certain corporate income and expenses, are not allocated but reflected as reconciling items. The following reconciliations are presented in thousands:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Segment revenues:				
Real estate operations segment:				
U.S.	$ 491,051	$ 529,841	$ 990,308	$ 1,053,988
Other Americas	29,948	16,444	60,379	31,533
Europe	12,908	22,076	30,110	40,307
Asia	11,672	17,168	25,477	31,811
Total real estate operations segment	545,579	585,529	1,106,274	1,157,639
Strategic capital segment:				
U.S.	17,905	130,677	33,974	142,585
Other Americas	12,256	9,864	18,409	15,915
Europe	28,488	25,973	67,305	52,235
Asia	17,048	14,140	88,970	26,964
Total strategic capital segment	75,697	180,654	208,658	237,699
Total segment revenues	**621,276**	**766,183**	**1,314,932**	**1,395,338**
Segment net operating income:				
Real estate operations segment:				
U.S. (1)	367,935	396,274	737,299	780,374
Other Americas	22,488	10,384	45,411	20,366
Europe	8,693	16,401	21,152	29,259
Asia	8,619	11,767	18,388	21,675
Total real estate operations segment	407,735	434,826	822,250	851,674
Strategic capital segment:				
U.S. (1)	5,893	99,668	1,657	101,607
Other Americas	9,032	7,587	11,939	10,732
Europe	19,382	16,342	47,045	32,732
Asia	6,540	5,071	69,307	8,843
Total strategic capital segment	40,847	128,668	129,948	153,914
Total segment net operating income	448,582	563,494	952,198	1,005,588
Reconciling items:				
General and administrative expenses	57,615	60,077	120,043	113,694
Depreciation and amortization expenses	203,673	228,145	407,754	454,736
Operating income	**187,294**	**275,272**	**424,401**	**437,158**
Earnings from unconsolidated entities, net	62,549	68,596	125,205	117,201
Interest expense	(56,314)	(75,354)	(102,575)	(148,266)
Interest and other income, net	5,641	1,892	7,617	4,677
Gains on dispositions of investments in real estate, net	94,261	83,006	289,372	180,331
Foreign currency and derivative gains (losses), net	85,382	(20,055)	44,288	(27,455)
Gains (losses) on early extinguishment of debt, net	282	(30,596)	(702)	(30,596)
Earnings before income taxes	**$ 379,095**	**$ 302,761**	**$ 787,606**	**$ 533,050**

	June 30, 2018	December 31, 2017
Segment assets:		
Real estate operations segment:		
U.S.	$ 18,807,476	$ 19,058,610
Other Americas	1,618,701	1,767,385
Europe	970,749	1,008,340
Asia	1,023,036	1,083,764
Total real estate operations segment	22,419,962	22,918,099
Strategic capital segment:		
U.S.	16,438	16,818
Europe	25,280	25,280
Asia	341	544
Total strategic capital segment	42,059	42,642
Total segment assets	22,462,021	22,960,741
Reconciling items:		
Investments in and advances to unconsolidated entities	5,414,623	5,496,450
Assets held for sale or contribution	892,546	342,060
Notes receivable backed by real estate	-	34,260
Cash and cash equivalents	527,830	447,046
Other assets	205,862	200,518
Total reconciling items	7,040,861	6,520,334
Total assets	**$ 29,502,882**	**$ 29,481,075**

(1) This includes compensation and personnel costs for employees who were located in the U.S. but also support other regions.

NOTE 11. SUPPLEMENTAL CASH FLOW INFORMATION

Our significant noncash investing and financing activities for the six months ended June 30, 2018 and 2017 included the following:

- We capitalized $14.1 million and $14.0 million in 2018 and 2017, respectively, of equity-based compensation expense resulting from our development and leasing activities.
- We received $105.4 million and $22.8 million in 2018 and 2017, respectively, of ownership interests in certain unconsolidated co-investment ventures as a portion of our proceeds from the contribution of properties to these entities, as disclosed in Note 2.
- We formed a consolidated joint venture into which our partner contributed $11.8 million of land in 2018.
- We issued 0.7 million shares in 2017 of the Parent's common stock upon redemption of an equal number of common limited partnership units in the OP.
- We received a $19.5 million note backed by real estate in exchange for the disposition of real estate in 2017.

We paid $154.4 million and $188.1 million for interest, net of amounts capitalized, for the six months ended June 30, 2018 and 2017, respectively.

We paid $32.3 million and $23.6 million for income taxes, net of refunds, for the six months ended June 30, 2018 and 2017, respectively.

NOTE 12. SUBSEQUENT EVENTS

Senior Notes. In July 2018, we issued senior notes through our Euro Finance Subsidiary.

Guarantee of Finance Subsidiary Debt. On August 7, 2018, we formed a finance subsidiary as part of our Japanese operations, Prologis Yen Finance LLC ("Yen Finance Subsidiary"), that is 100% indirectly owned by the OP. All unsecured debt issued by the Yen Finance Subsidiary will be fully and unconditionally guaranteed by the OP. There are no restrictions or limits on the OP's ability to obtain funds from its subsidiaries by dividend or loan. In reliance on Rule 3-10 of Regulation S-X, the separate financial statements of the Yen Finance Subsidiary are not provided.

DCT Merger. On August 22, 2018, DCT Industrial Trust Inc. ("DCT Inc.") merged with and into Prologis, Inc., with Prologis, Inc. surviving the merger (the "Company Merger") and immediately prior to the effective time of the Company Merger, DCT Industrial Operating Partnership LP ("DCT OP") merged with and into the Prologis OP, with the Prologis OP surviving the merger (the

"Partnership Merger" and, together with the Company Merger, the "Mergers"). The purchase price consideration for the Mergers was $8.5 billion in a stock-for-stock transaction, including the assumption of debt, and was based on the closing price of Prologis' common stock on August 21, 2018. Under the terms of the Merger Agreement, at the effective time of the Company Merger, each issued and outstanding share of DCT common stock was converted automatically into 1.02 shares of Prologis' common stock and immediately prior to the effective time of the Company Merger, each issued and outstanding common unit of DCT OP was converted automatically into 1.02 common units of Prologis OP. After consideration of all applicable factors pursuant to the business combination accounting rules, we concluded the Mergers will be treated as an asset acquisition and as a result the transaction costs will be capitalized to the basis of the acquired properties.

In connection with the Mergers, on July 2, 2018, DCT Inc., DCT OP, DCT's board of directors (the "DCT Board"), Prologis, Inc., and Prologis OP were sued in a putative class action lawsuit, the *Rosenblatt* Action, filed in the United States District Court for the District of Colorado, in connection with the Mergers and the related Form S-4. The complaint in the *Rosenblatt* Action alleges that DCT Inc., DCT OP, the DCT Board, Prologis, Inc., and Prologis OP violated federal securities laws by omitting material information from the Form S-4, rendering the Form S-4 materially deficient. On July 10, 2018, DCT Inc., DCT OP and the DCT Board were sued in another putative class action lawsuit, the *Bushansky* Action, also filed in the United States District Court for the District of Colorado, and also in connection with the Mergers and the related Form S-4. On July 13, 2018, DCT Inc., DCT OP and the DCT Board were sued in a third putative class action lawsuit, the *Aiken* Action, filed in the United States District Court for the District of Maryland, also in connection with the Mergers and the related Form S-4. The complaints in the *Bushansky* Action and the *Aiken* Action allege that DCT Inc., DCT OP and the DCT Board violated federal securities laws by omitting from the Form S-4, and/or misrepresenting in the Form S-4, material information, rendering the Form S-4 materially deficient. In all three actions, the plaintiffs seek, among other things, (i) to enjoin the transaction (or rescind it to the extent it is completed), and (ii) attorneys' fees and costs in connection with these lawsuits.

Although the ultimate outcome of litigation cannot be predicted with certainty, we believe that these lawsuits are without merit and intend to defend against these actions vigorously.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Prologis, Inc.:

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheet of Prologis, Inc. and subsidiaries (the Company) as of June 30, 2018, the related consolidated statements of income, and consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, the related consolidated statement of equity for the six-month period ended June 30, 2018, the related consolidated statements of cash flows for the six-month periods ended June 30, 2018 and 2017, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2017, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 15, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Denver, Colorado
July 23, 2018, except for the subsequent events described in Note 12 to the consolidated interim financial information, as to which the date is August 24, 2018.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners
Prologis, L.P.:

Results of Review of Interim Financial Information

We have reviewed the consolidated balance sheet of Prologis, L.P. and subsidiaries (the Operating Partnership) as of June 30, 2018, the related consolidated statements of income, and consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, the related consolidated statement of capital for the six-month period ended June 30, 2018, the related consolidated statements of cash flows for the six-month periods ended June 30, 2018 and 2017, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Operating Partnership as of December 31, 2017, and the related consolidated statements of income, comprehensive income, capital, and cash flows for the year then ended (not presented herein); and in our report dated February 15, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2017, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Operating Partnership's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Operating Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Denver, Colorado
July 23, 2018, except for the subsequent events described in Note 12 to the consolidated interim financial information, as to which the date is August 24, 2018.

Exhibit 99.3

Unaudited Pro Forma Condensed Combined Financial Information of Prologis, Inc. and Prologis, L.P. as of June 30, 2018 and for the year ended December 31, 2017 and the six months ended June 30, 2018

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On August 22, 2018, DCT Industrial Trust Inc. ("DCT Inc.") merged with and into Prologis, Inc., with Prologis, Inc. surviving the merger (the "Company Merger") and immediately prior to the effective time of the Company Merger, DCT Industrial Operating Partnership LP ("DCT OP") merged with and into Prologis, L.P. ("Prologis OP"), with Prologis OP surviving the merger (the "Partnership Merger" and, together with the Company Merger, the "Mergers").

Under the terms of the Merger Agreement, at the effective time of the Company Merger, each issued and outstanding share of DCT Inc. common stock was converted automatically into 1.02 shares of Prologis, Inc. common stock and immediately prior to the effective time of the Company Merger, each issued and outstanding common unit of DCT OP was converted automatically into 1.02 common units of the Prologis OP.

After consideration of all applicable factors pursuant to the business combination accounting rules, we concluded the Mergers will be treated as an asset acquisition and as a result the transaction costs will be capitalized to the basis of the acquired properties.

Description of Presentation

Prologis, Inc. is a real estate investment trust (a "REIT") and the general partner of Prologis OP.We operate Prologis, Inc. and Prologis OP as one enterprise. The management of Prologis, Inc. consists of the same members as the management of Prologis OP. As sole general partner, Prologis, Inc. has control of Prologis OP through complete responsibility and discretion in the day-to-day management and therefore, consolidates Prologis OP for financial reporting purposes. Because the only significant asset of Prologis, Inc. is its investment in Prologis OP, the assets and liabilities of Prologis, Inc. and Prologis OP are the same on their respective financial statements.

The presentation of noncontrolling interests, stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of Prologis, Inc. and those of Prologis OP. The differences in the presentations between stockholders' equity and partners' capital result from the differences in the equity and capital issuances in Prologis, Inc. and in Prologis OP.

The term "Prologis" means Prologis, Inc. and Prologis OP collectively. The term "DCT" means DCT Inc. and DCT OP collectively.

Pro forma Information

The following Unaudited Pro Forma Condensed Combined Financial Statements combine the historical consolidated financial statements of Prologis and DCT as if the Mergers had previously occurred on the dates specified below. The accompanying Unaudited Pro Forma Condensed Combined Balance Sheets at June 30, 2018 have been prepared as if the Mergers had occurred as of that date. The accompanying Unaudited Pro Forma Condensed Combined Statements of Income for the year ended December 31, 2017 and the six months ended June 30, 2018 have been prepared as if the Mergers had occurred as of January 1, 2017.

During the period from January 1, 2017 to June 30, 2018, Prologis and DCT acquired and disposed of various real estate assets. None of the assets acquired or disposed of by the respective companies during this period exceeded the significance level that requires the presentation of pro forma financial information pursuant to Regulation S-X, Article 11. As such, the following Unaudited Pro Forma Condensed Combined Statements of Income for the year ended December 31, 2017 and the six months ended June 30, 2018 do not include pro forma adjustments to present the impact of these insignificant acquisitions and dispositions as if they occurred on January 1, 2017.

Pro forma adjustments, and the assumptions on which they are based, are described in the accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements, which are referred to in this section as the accompanying notes.

The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain information that is currently available. Under acquisition accounting, the total purchase price is allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed of DCT based on their respective fair values, as further described in the accompanying notes. The total merger consideration and assignment of fair values to DCT's assets and liabilities has not been finalized and is subject to change and the actual amounts at the time the Mergers are completed could vary materially from this pro forma information.

The pro forma information has been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). All significant adjustments necessary to reflect the effects of the Mergers that can be factually supported within the SEC regulations covering the preparation of pro forma financial statements have been made. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the combined operating results or financial position that would have occurred if such transactions had been consummated on the dates and in accordance with the assumptions described herein, nor is it necessarily indicative of future operating results or financial position.

You are urged to read the pro forma information below together with Prologis' and DCT's publicly available historical consolidated financial statements and accompanying notes.

Merger Consideration

For purposes of the Unaudited Pro Forma Condensed Combined Financial Statements, Prologis has assumed a preliminary total purchase price of approximately $6.6 billion for the Mergers, which consists of Prologis, Inc. common stock and Prologis OP common units issued in exchange for the DCT Inc. common stock and DCT OP common units (in millions, except price per share/unit):

Number of DCT shares and units converted to Prologis shares and units at June 30, 2018 (1)		99.83
Multiplied by price of Prologis, Inc. common stock on August 21, 2018 (2)	$	65.75
Estimated fair value of Prologis shares and units to be issued		6,564
Estimated transaction costs (3)		51
Estimated aggregate consideration	**$**	**6,615**

(1) The DCT Inc. stockholders and DCT OP unitholders received 1.02 of a newly issued share of Prologis, Inc. common stock and Prologis OP common unit, respectively, for each DCT common share or DCT OP unit that they owned.

(2) Pursuant to accounting rules, the purchase price is based on the closing price of Prologis, Inc.'s common stock on August 21, 2018, with the consummation of the Mergers before the market opened on August 22, 2018.

(3) For purposes of the pro forma information, estimated transaction costs for the Mergers were included in the estimated aggregate consideration. These estimated transaction costs paid by Prologis are expected to be approximately $51 million and include costs associated with investment banker advisory fees, legal and accounting fees, termination and severance and other costs. These costs will be capitalized. Termination and severance costs for the conversion of unvested shares of DCT Inc. common stock and DCT OP common units under DCT's equity incentive plan that became fully vested at closing are included in the estimated fair value of Prologis, Inc. common stock and Prologis OP common units to be issued.

The Unaudited Pro Forma Condensed Combined Financial Statements included herein do not give effect to any potential cost reductions or other operating efficiencies that we expect to result from the Mergers.

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
June 30, 2018
(In thousands)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
ASSETS					
Investments in real estate properties	$ 25,555,343	$ 4,775,133	$ 3,330,335	(B)	$ 33,660,811
Less accumulated depreciation	4,283,877	926,571	(926,571)	(C)	4,283,877
Net investments in real estate properties	21,271,466	3,848,562	4,256,906		29,376,934
Investments in and advances to unconsolidated entities	5,414,623	73,031	17,615	(D)	5,505,269
Assets held for sale or contribution	892,546	-	-		892,546
Net investments in real estate	27,578,635	3,921,593	4,274,521		35,774,749
Cash and cash equivalents	527,830	35,656	-		563,486
Other assets	1,396,417	125,897	336,069	(E)	1,858,383
Total assets	**$ 29,502,882**	**$ 4,083,146**	**$ 4,610,590**		**$ 38,196,618**
LIABILITIES AND EQUITY					
Liabilities:					
Debt	$ 9,427,124	$ 1,774,756	$ 61,054	(F)	$ 11,262,934
Accounts payable and accrued expenses	719,679	106,714	-		826,393
Other liabilities	629,576	125,492	(10,321)	(G)	744,747
Total liabilities	10,776,379	2,006,962	50,733		12,834,074
Equity:					
Stockholders' equity:					
Preferred shares	68,948	-	-		68,948
Common stock	5,333	941	21	(H)	6,295
Additional paid-in capital	19,322,016	3,000,086	3,372,579	(H)	25,694,681
Accumulated other comprehensive loss	(1,041,486)	(5,036)	5,036	(H)	(1,041,486)
Distributions in excess of net earnings	(2,716,241)	(1,015,254)	1,015,254	(H)	(2,716,241)
Total stockholders' equity	15,638,570	1,980,737	4,392,890		22,012,197
Noncontrolling interests	2,624,175	15,670	5,867	(I)	2,645,712
Limited partnership unitholders	463,758	79,777	161,100	(H)	704,635
Total equity	18,726,503	2,076,184	4,559,857		25,362,544
Total liabilities and equity	**$ 29,502,882**	**$ 4,083,146**	**$ 4,610,590**		**$ 38,196,618**

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the six months ended June 30, 2018
(In thousands, except per share data)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
Revenues:					
Rental	$ 854,450	$ 165,679	$ 188	(J)	$ 1,020,317
Rental recoveries	246,172	53,525	-		299,697
Strategic capital	208,658	672	-		209,330
Development management and other	5,652	-	-		5,652
Total revenues	1,314,932	219,876	188		1,534,996
Expenses:					
Rental	276,270	53,270	-	(K)	329,540
Strategic capital	78,710	-	-		78,710
General and administrative	120,043	20,288	-	(K)	140,331
Depreciation and amortization	407,754	83,499	40,025	(L)	531,278
Other	7,754	245	-		7,999
Total expenses	890,531	157,302	40,025		1,087,858
Operating income	424,401	62,574	(39,837)		447,138
Other income (expense):					
Earnings from unconsolidated entities, net	125,205	2,166	(1,228)	(M)	126,143
Interest expense	(102,575)	(32,183)	11,121	(N)	(123,637)
Interest and other income (expense), net	7,617	(80)	-		7,537
Gains on dispositions of investments in real estate, net	289,372	43,974	-		333,346
Foreign currency and derivative gains, net	44,288	-	-		44,288
Losses on early extinguishment of debt, net	(702)	-	-		(702)
Total other income	363,205	13,877	9,893		386,975
Earnings before income taxes	787,606	76,451	(29,944)		834,113
Total income tax expense	30,656	221	-		30,877
Consolidated net earnings	756,950	76,230	(29,944)		803,236
Less net earnings attributable to noncontrolling interests	53,485	3,291	(1,103)	(O)	55,673
Net earnings attributable to controlling interests	703,465	72,939	(28,841)		747,563
Less preferred stock dividends	2,952	-	-		2,952
Net earnings attributable to common stockholders	**$ 700,513**	**$ 72,939**	**$ (28,841)**		**$ 744,611**
Weighted average common shares outstanding – Basic	532,427	93,956		(P)	628,617
Weighted average common shares outstanding – Diluted	554,066	93,981		(P)	653,891
Net earnings per share attributable to common stockholders – Basic	**$ 1.32**	**$ 0.77**			**$ 1.18**
Net earnings per share attributable to common stockholders – Diluted	**$ 1.30**	**$ 0.77**			**$ 1.17**

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the year ended December 31, 2017
(In thousands, except per share data)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
Revenues:					
Rental	$ 1,737,839	$ 320,295	$ 8,215	(J)	$ 2,066,349
Rental recoveries	487,302	102,731	-		590,033
Strategic capital	373,889	1,442	-		375,331
Development management and other	19,104	-	-		19,104
Total revenues	2,618,134	424,468	8,215		3,050,817
Expenses:					
Rental	569,523	103,000	-	(K)	672,523
Strategic capital	155,141	-	-		155,141
General and administrative	231,059	28,994	-	(K)	260,053
Depreciation and amortization	879,140	169,466	78,596	(L)	1,127,202
Other	12,205	(274)	-		11,931
Total expenses	1,847,068	301,186	78,596		2,226,850
Operating income	771,066	123,282	(70,381)		823,967
Other income (expense):					
Earnings from unconsolidated entities, net	248,567	6,394	(2,394)	(M)	252,567
Interest expense	(274,486)	(66,054)	24,029	(N)	(316,511)
Interest and other income (expense), net	13,731	(5)	-		13,726
Gains on dispositions of investments in real estate and revaluation of equity investments upon acquisition of a controlling interest, net	1,182,965	47,126	-		1,230,091
Foreign currency and derivative losses, net	(57,896)	-	-		(57,896)
Losses on early extinguishment of debt, net	(68,379)	-	-		(68,379)
Total other income (expense)	1,044,502	(12,539)	21,635		1,053,598
Earnings before income taxes	1,815,568	110,743	(48,746)		1,877,565
Total income tax expense	54,609	2,267	-		56,876
Consolidated net earnings	1,760,959	108,476	(48,746)		1,820,689
Less net earnings attributable to noncontrolling interests	108,634	4,982	(1,812)	(O)	111,804
Net earnings attributable to controlling interests	1,652,325	103,494	(46,934)		1,708,885
Less preferred stock dividends	6,499	-	-		6,499
Loss on preferred stock repurchase	3,895	-	-		3,895
Net earnings attributable to common stockholders	**$ 1,641,931**	**$ 103,494**	**$ (46,934)**		**$ 1,698,491**
Weighted average common shares outstanding – Basic	530,400	92,574		(P)	626,552
Weighted average common shares outstanding – Diluted	552,300	92,688		(P)	652,132
Net earnings per share attributable to common stockholders – Basic	**$ 3.10**	**$ 1.11**			**$ 2.71**
Net earnings per share attributable to common stockholders – Diluted	**$ 3.06**	**$ 1.11**			**$ 2.68**

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
June 30, 2018
(In thousands)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
ASSETS					
Investments in real estate properties	$ 25,555,343	$ 4,775,133	$ 3,330,335	(B)	$ 33,660,811
Less accumulated depreciation	4,283,877	926,571	(926,571)	(C)	4,283,877
Net investments in real estate properties	21,271,466	3,848,562	4,256,906		29,376,934
Investments in and advances to unconsolidated entities	5,414,623	73,031	17,615	(D)	5,505,269
Assets held for sale or contribution	892,546	-	-		892,546
Net investments in real estate	27,578,635	3,921,593	4,274,521		35,774,749
Cash and cash equivalents	527,830	35,656	-		563,486
Other assets	1,396,417	125,897	336,069	(E)	1,858,383
Total assets	**$ 29,502,882**	**$ 4,083,146**	**$ 4,610,590**		**$ 38,196,618**
LIABILITIES AND EQUITY					
Liabilities:					
Debt	$ 9,427,124	$ 1,774,756	$ 61,054	(F)	$ 11,262,934
Accounts payable and accrued expenses	719,679	106,714	-		826,393
Other liabilities	629,576	125,492	(10,321)	(G)	744,747
Total liabilities	10,776,379	2,006,962	50,733		12,834,074
Capital:					
Partners' capital	16,102,328	2,060,514	4,553,990	(H)	22,716,832
Noncontrolling interests	2,624,175	15,670	5,867	(I)	2,645,712
Total capital	18,726,503	2,076,184	4,559,857		25,362,544
Total liabilities and capital	**$ 29,502,882**	**$ 4,083,146**	**$ 4,610,590**		**$ 38,196,618**

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the six months ended June 30, 2018
(In thousands, except per share data)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
Revenues:					
Rental	$ 854,450	$ 165,679	$ 188	(J)	$ 1,020,317
Rental recoveries	246,172	53,525	-		299,697
Strategic capital	208,658	672	-		209,330
Development management and other	5,652	-	-		5,652
Total revenues	1,314,932	219,876	188		1,534,996
Expenses:					
Rental	276,270	53,270	-	(K)	329,540
Strategic capital	78,710	-	-		78,710
General and administrative	120,043	20,288	-	(K)	140,331
Depreciation and amortization	407,754	83,499	40,025	(L)	531,278
Other	7,754	245	-		7,999
Total expenses	890,531	157,302	40,025		1,087,858
Operating income	424,401	62,574	(39,837)		447,138
Other income (expense):					
Earnings from unconsolidated entities, net	125,205	2,166	(1,228)	(M)	126,143
Interest expense	(102,575)	(32,183)	11,121	(N)	(123,637)
Interest and other income (expense), net	7,617	(80)	-		7,537
Gains on dispositions of investments in real estate, net	289,372	43,974	-		333,346
Foreign currency and derivative gains, net	44,288	-	-		44,288
Losses on early extinguishment of debt, net	(702)	-	-		(702)
Total other income	363,205	13,877	9,893		386,975
Earnings before income taxes	787,606	76,451	(29,944)		834,113
Total income tax expense	30,656	221	-		30,877
Consolidated net earnings	756,950	76,230	(29,944)		803,236
Less net earnings attributable to noncontrolling interests	32,940	754	(24)	(O)	33,670
Net earnings attributable to controlling interests	724,010	75,476	(29,920)		769,566
Less preferred unit distributions	2,952	-	-		2,952
Net earnings attributable to common unitholders	**$ 721,058**	**$ 75,476**	**$ (29,920)**		**$ 766,614**
Weighted average common units outstanding – Basic	539,547	97,223		(P)	639,372
Weighted average common units outstanding – Diluted	554,066	97,248		(P)	653,891
Net earnings per unit attributable to common unitholders – Basic	**$ 1.32**	**$ 0.77**			**$ 1.18**
Net earnings per unit attributable to common unitholders – Diluted	**$ 1.30**	**$ 0.77**			**$ 1.17**

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the year ended December 31, 2017
(In thousands, except per share data)

	Historical		Pro Forma		Pro Forma
	Prologis	DCT (A)	Adjustments		Combined
Revenues:					
Rental	$ 1,737,839	$ 320,295	$ 8,215	(J)	$ 2,066,349
Rental recoveries	487,302	102,731	-		590,033
Strategic capital	373,889	1,442	-		375,331
Development management and other	19,104	-	-		19,104
Total revenues	2,618,134	424,468	8,215		3,050,817
Expenses:					
Rental	569,523	103,000	-	(K)	672,523
Strategic capital	155,141	-	-		155,141
General and administrative	231,059	28,994	-	(K)	260,053
Depreciation and amortization	879,140	169,466	78,596	(L)	1,127,202
Other	12,205	(274)	-		11,931
Total expenses	1,847,068	301,186	78,596		2,226,850
Operating income	771,066	123,282	(70,381)		823,967
Other income (expense):					
Earnings from unconsolidated entities, net	248,567	6,394	(2,394)	(M)	252,567
Interest expense	(274,486)	(66,054)	24,029	(N)	(316,511)
Interest and other income (expense), net	13,731	(5)	-		13,726
Gains on dispositions of investments in real estate and revaluation of equity investments upon acquisition of a controlling interest, net	1,182,965	47,126	-		1,230,091
Foreign currency and derivative losses, net	(57,896)	-	-		(57,896)
Losses on early extinguishment of debt, net	(68,379)	-	-		(68,379)
Total other income (expense)	1,044,502	(12,539)	21,635		1,053,598
Earnings before income taxes	1,815,568	110,743	(48,746)		1,877,565
Total income tax expense	54,609	2,267	-		56,876
Consolidated net earnings	1,760,959	108,476	(48,746)		1,820,689
Less net earnings attributable to noncontrolling interests	63,620	1,103	(9)	(O)	64,714
Net earnings attributable to controlling interests	1,697,339	107,373	(48,737)		1,755,975
Less preferred unit distributions	6,499	-	-		6,499
Loss on preferred unit repurchase	3,895	-	-		3,895
Net earnings attributable to common unitholders	**$ 1,686,945**	**$ 107,373**	**$ (48,737)**		**$ 1,745,581**
Weighted average common units outstanding – Basic	536,335	96,044		(P)	636,167
Weighted average common units outstanding – Diluted	552,300	96,158		(P)	652,132
Net earnings per unit attributable to common unitholders – Basic	**$ 3.10**	**$ 1.11**			**$ 2.71**
Net earnings per unit attributable to common unitholders – Diluted	**$ 3.06**	**$ 1.11**			**$ 2.68**

(1) Preliminary Purchase Price Allocation

The following preliminary allocation of the DCT purchase price is based on the preliminary estimate of the fair value of the tangible and intangible assets and liabilities of DCT at June 30, 2018. The final determination of the allocation of the purchase price will be based on the fair value of such assets and liabilities as of the actual consummation date of the Mergers. Such final determination of the purchase price may be significantly different from the preliminary estimates used in the pro forma financial statements.

The estimated purchase price of DCT of $6.6 billion (as calculated in the manner described above) is allocated to the assets acquired and liabilities to be assumed based on the following preliminary basis at June 30, 2018 (dollar amounts in thousands):

Investments in real estate properties, net	$	8,105,468
Investments in and advances to unconsolidated entities		90,646
Cash and other assets		497,622
Debt		(1,835,810)
Accounts payable, accrued expenses and other liabilities		(221,885)
Noncontrolling interests		(21,537)
Total estimated purchase price	**$**	**6,614,504**

(2) Pro Forma Adjustments

Unless otherwise indicated, the pro forma adjustments apply to both Prologis, Inc. and Prologis OP.

(A) In order to conform to the Prologis presentation, we condensed certain amounts presented in DCT historical financial statements and reclassified certain insignificant DCT balances.

Condensed Combined Balance Sheet Adjustments:

(B) DCT's real estate assets have been adjusted to their estimated fair value at June 30, 2018. We estimated the fair value of each property generally by applying a capitalization rate to the estimated net operating income and adding a portfolio premium to the property based on the relative fair value of the property in comparison to the total portfolio. We determined the capitalization rates that were appropriate by market based on recent appraisals, transactions or other market data.

(C) DCT's historical accumulated depreciation balance is eliminated.

(D) DCT's investments in and advances to unconsolidated entities have been adjusted to their estimated fair value at June 30, 2018. The fair values for the investments were calculated using similar valuation methods as those used for consolidated real estate assets.

(E) Adjustments to DCT's historical balance of other assets are as follows (in thousands):

Elimination of straight-line rent receivable	$	(76,066)
Elimination of acquired lease intangible assets		(24,120)
Elimination of deferred financing costs		(691)
Recognition of value of acquired lease intangible assets		436,946
Total	**$**	**336,069**

The fair value of acquired lease intangible assets includes leasing commissions, foregone rent and above market leases. We recognize an asset for leasing commissions based on our estimate of the cost to lease space in the applicable markets. Foregone rents include the value of the revenue and recovery of costs foregone during a reasonable lease-up period, as if the space was vacant, in each of the applicable markets. An asset was recognized for acquired leases with favorable rents based on our best estimate of current market rents in each of the applicable markets.

(F) DCT's debt balances have been adjusted to their estimated fair value at June 30, 2018. Fair value was estimated based on contractual future cash flows discounted using borrowing spreads and market interest rates that would have been available to us for the issuance of debt with similar terms and remaining maturities.

(G) Adjustments to DCT's historical balance of other liabilities are as follows (in thousands):

Elimination of unearned rent	$	(29,694)
Elimination of acquired lease intangible liabilities		(18,704)
Recognition of value of acquired lease intangible liabilities		38,077
Total	**$**	**(10,321)**

The fair value of acquired lease intangible liabilities includes a liability for acquired leases with unfavorable rents based on our best estimate of current market rents in each of the applicable markets.

(H) Adjustments represent the elimination of historical DCT balances and the issuance of Prologis, Inc. common stock and Prologis OP common units in exchange for the shares of DCT Inc. common stock and DCT OP common units in the Mergers.

(I) The adjustment for noncontrolling interests in the consolidated entities at June 30, 2018 is based on the noncontrolling interests' share in the fair value adjustments described above.

***Condensed Combined Statement of Income Adjustments*:**

The pro forma adjustments to the Statement of Income assume that a purchase price allocation done as of January 1, 2017 was equivalent to amounts assigned based on the estimated purchase price allocation.

(J) Rental income is adjusted to remove $7.7 million and $14.7 million of DCT's historical straight-line rent and amortization of the asset or liability from acquired leases with favorable or unfavorable market rents for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively. Rental income is further adjusted to recognize $7.9 million and $23.0 million attributed to acquired leases on a straight-line basis and the amortization of the asset or liability from the acquired leases with favorable or unfavorable rents for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively. For purposes of the favorable and unfavorable rent adjustments, we estimated a weighted average remaining lease term associated with these leases of four years.

(K) We expect that the Mergers will create significant corporate general and administrative as well as property operating cost savings. There can be no assurance that we will be successful in achieving these anticipated cost savings. As these adjustments cannot be factually supported, we have not included any estimate of the expected future cost savings.

(L) Depreciation and amortization expense is adjusted to remove $83.5 million and $169.5 million of DCT's historical depreciation and amortization expense and recognize $123.5 million and $248.1 million for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively. For purposes of this adjustment, we estimated the various components of the real estate acquired and used an estimated average useful life of thirty years for operating properties and used the remaining lease term associated with the in-place leases that approximated six years.

(M) We adjusted DCT's investment in unconsolidated entities to fair value. As a result, we adjusted the equity in earnings that DCT recognized from these entities to reflect the impact the amortization of these fair value adjustments would have had on earnings from these unconsolidated entities.

(N) At January 1, 2017, we reflected DCT's debt at fair value. The adjustment to interest expense includes the removal of DCT's historical interest expense, including amortization of deferred financing costs and debt premiums and discounts, and calculation of interest expense based on the estimated fair value of acquired debt, net of amounts capitalized. The fair value represented a weighted average interest rate of 3.5% at June 30, 2018 (see note F).

(O) An adjustment was made to reflect the adjustment to the income allocated to noncontrolling interests in the co-investment entities that DCT consolidates. In addition, an adjustment was made related to the limited partnership unitholders ownership percentage of 3.6% in the consolidated results of DCT OP, from the net impact of the purchase accounting adjustments described above.

(P) The unaudited pro forma adjustment to shares or units outstanding used in the calculation of basic earnings per shareor unit attributable to common stockholders or unitholders and diluted earnings per share attributable to common stockholdersor unitholders, after giving effect to the exchange ratio, were as follows (in thousands):

Prologis, Inc.	**Six Months Ended June 30, 2018**	**Year Ended December 31, 2017**
Prologis weighted average common shares outstanding – Basic	532,427	530,400
Shares issued to DCT stockholders – pro forma basis (1)	96,190	96,152
Weighted average common shares outstanding – Basic	**628,617**	**626,552**
Prologis weighted average common shares outstanding – Diluted	554,066	552,300
Shares and units issued to DCT stockholders – pro forma basis (1)	99,825	99,832
Weighted average common shares outstanding – Diluted	**653,891**	**652,132**
Prologis, L.P.		
Prologis weighted average common units outstanding – Basic	539,547	536,335
Shares issued to DCT unitholders – pro forma basis (1)	99,825	99,832
Weighted average common units outstanding – Basic	**639,372**	**636,167**
Prologis weighted average common units outstanding – Diluted	554,066	552,300
Shares and units issued to DCT unitholders – pro forma basis (1)	99,825	99,832
Weighted average common units outstanding – Diluted	**653,891**	**652,132**

(1) The pro forma weighted average shares or units outstanding assumes the issuance of shares and units of Prologis, Inc. common stock and Prologis OP common units in connection with the Mergers throughout all periods presented.

Exhibit 99.4

Audited Consolidated Financial Statements of DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP and the notes thereto as of and for the year ended December 31, 2017

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of
DCT Industrial Trust Inc. and subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DCT Industrial Trust Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

Denver, Colorado
February 16, 2018

Report of Independent Registered Public Accounting Firm

The Partners of
DCT Industrial Operating Partnership LP and subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of DCT Industrial Operating Partnership LP and subsidiaries (the "Partnership") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in capital and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Partnership at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

The financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Partnership's auditor since 2014.

Denver, Colorado
February 16, 2018

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share information)

	December 31, 2017	December 31, 2016
ASSETS		
Land	$ 1,162,908	$ 1,075,995
Buildings and improvements	3,284,976	3,202,293
Intangible lease assets	65,919	78,356
Construction in progress	149,994	72,829
Total investment in properties	4,663,797	4,429,473
Less accumulated depreciation and amortization	(919,186)	(839,773)
Net investment in properties	3,744,611	3,589,700
Investments in and advances to unconsolidated joint ventures	72,231	95,606
Net investment in real estate	3,816,842	3,685,306
Cash and cash equivalents	10,522	10,286
Restricted cash	14,768	7,346
Straight-line rent and other receivables, net of allowance for doubtful accounts of $425 and $379, respectively	80,119	79,889
Other assets, net	25,740	25,315
Assets held for sale	62,681	—
Total assets	$ 4,010,672	$ 3,808,142
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 115,150	$ 93,097
Distributions payable	35,070	29,622
Tenant prepaids and security deposits	34,946	32,884
Other liabilities	34,172	37,403
Intangible lease liabilities, net	18,482	21,421
Line of credit	234,000	75,000
Senior unsecured notes	1,328,225	1,351,969
Mortgage notes	160,129	201,959
Liabilities related to assets held for sale	1,035	—
Total liabilities	1,961,209	1,843,355
Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Shares-in-trust, $0.01 par value, 100,000,000 shares authorized, none outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized 93,707,264 and 91,516,113 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	937	915
Additional paid-in capital	2,985,122	2,884,806
Distributions in excess of earnings	(1,022,605)	(1,005,728)
Accumulated other comprehensive loss	(11,893)	(17,944)
Total stockholders' equity	1,951,561	1,862,049
Noncontrolling interests	97,902	102,738
Total equity	2,049,463	1,964,787
Total liabilities and equity	$ 4,010,672	$ 3,808,142

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended December 31,		
	2017	2016	2015
REVENUES:			
Rental revenues	$ 423,026	$ 391,360	$ 353,091
Institutional capital management and other fees	1,442	1,416	1,606
Total revenues	424,468	392,776	354,697
OPERATING EXPENSES:			
Rental expenses	37,865	36,797	35,995
Real estate taxes	65,135	60,020	56,219
Real estate related depreciation and amortization	168,245	161,334	156,010
General and administrative	28,994	29,280	34,577
Impairment losses	283	—	2,285
Casualty gain	(274)	(2,753)	(414)
Total operating expenses	300,248	284,678	284,672
Operating income	124,220	108,098	70,025
OTHER INCOME (EXPENSE):			
Development profit, net of taxes	—	—	2,627
Equity in earnings of unconsolidated joint ventures, net	6,394	4,118	7,273
Gain on dispositions of real estate interests	47,126	49,895	77,871
Interest expense	(66,054)	(64,035)	(54,055)
Interest and other income (expense)	(5)	551	(40)
Impairment loss on land	(938)	—	—
Income tax expense and other taxes	(2,267)	(591)	(736)
Consolidated net income of DCT Industrial Trust Inc.	108,476	98,036	102,965
Net income attributable to noncontrolling interests	(4,982)	(4,976)	(8,917)
Net income attributable to common stockholders	103,494	93,060	94,048
Distributed and undistributed earnings allocated to participating securities	(665)	(669)	(678)
Adjusted net income attributable to common stockholders	$ 102,829	$ 92,391	$ 93,370
NET EARNINGS PER COMMON SHARE:			
Basic	$ 1.11	$ 1.03	$ 1.06
Diluted	$ 1.11	$ 1.03	$ 1.05
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	92,574	89,867	88,182
Diluted	92,688	89,982	88,514

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Consolidated net income of DCT Industrial Trust Inc.	$ 108,476	$ 98,036	$ 102,965
Other comprehensive income:			
Net derivative gain (loss) on cash flow hedging instruments	529	(1,068)	(463)
Net reclassification adjustment on cash flow hedging instruments	5,428	6,611	4,785
Other comprehensive income	5,957	5,543	4,322
Comprehensive income	114,433	103,579	107,287
Comprehensive income attributable to noncontrolling interests	(5,302)	(5,381)	(9,131)
Comprehensive income attributable to common stockholders	$ 109,131	$ 98,198	$ 98,156

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
(in thousands)

	Total Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehen-sive Loss	Non-controlling Interests
Balance at December 31, 2014	$ 1,865,416	88,013	$ 880	$ 2,762,431	$ (986,289)	$ (27,190)	$ 115,584
Net income	102,965	—	—	—	94,048	—	8,917
Other comprehensive income	4,322	—	—	—	—	4,108	214
Issuance of common stock, stock-based compensation plans	(890)	89	1	(891)	—	—	—
Amortization of stock-based compensation	10,577	—	—	1,794	—	—	8,783
Distributions to common stockholders and noncontrolling interests	(109,460)	—	—	—	(99,769)	—	(9,691)
Capital contribution from noncontrolling interests	648	—	—	—	—	—	648
Redemptions of noncontrolling interests	(4,421)	212	2	2,859	—	—	(7,282)
Balance at December 31, 2015	$ 1,869,157	88,314	$ 883	$ 2,766,193	$ (992,010)	$ (23,082)	$ 117,173
Net income	98,036	—	—	—	93,060	—	4,976
Other comprehensive income	5,543	—	—	—	—	5,138	405
Issuance of common stock, net of offering costs	106,960	2,469	24	106,936	—	—	—
Issuance of common stock, stock-based compensation plans	(759)	66	1	(760)	—	—	—
Amortization of stock-based compensation	7,142	—	—	1,918	—	—	5,224
Distributions to common stockholders and noncontrolling interests	(112,786)	—	—	—	(106,778)	—	(6,008)
Capital contributions from noncontrolling interests	444	—	—	—	—	—	444
Purchase of noncontrolling interest	(3,258)	—	—	(3,258)	—	—	—
Redemptions of noncontrolling interests	(5,692)	667	7	13,777	—	—	(19,476)
Balance at December 31, 2016	$ 1,964,787	91,516	$ 915	$ 2,884,806	$ (1,005,728)	$ (17,944)	$ 102,738
Cash flow hedging instruments cumulative effect adjustment (Note 2)	—	—	—	—	(397)	414	(17)
Net income	108,476	—	—	—	103,494	—	4,982
Other comprehensive income	5,957	—	—	—	—	5,637	320
Issuance of common stock, net of offering costs	95,500	1,785	18	95,482	—	—	—
Issuance of common stock, stock-based compensation plans	(1,484)	74	1	(1,485)	—	—	—
Amortization of stock-based compensation	7,498	—	—	1,997	—	—	5,501
Distributions to common stockholders and noncontrolling interests	(125,451)	—	—	—	(119,974)	—	(5,477)
Capital contributions from noncontrolling interests	1,356	—	—	—	—	—	1,356
Redemptions of noncontrolling interests	(7,176)	332	3	4,322	—	—	(11,501)
Balance at December 31, 2017	$ 2,049,463	93,707	$ 937	$ 2,985,122	$ (1,022,605)	$ (11,893)	$ 97,902

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
OPERATING ACTIVITIES:			
Consolidated net income of DCT Industrial Trust Inc.	**$ 108,476**	**$ 98,036**	**$ 102,965**
Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to net cash provided by operating activities:			
Real estate related depreciation and amortization	168,245	161,334	156,010
Gain on dispositions of real estate interests	(47,126)	(49,895)	(77,871)
Distributions of earnings from unconsolidated joint ventures	6,519	6,056	5,590
Equity in earnings of unconsolidated joint ventures, net	(6,394)	(4,118)	(7,273)
Impairment losses	283	—	2,285
Impairment loss on land	938	—	—
Stock-based compensation	6,020	5,695	8,945
Casualty gain	(274)	(2,753)	(414)
Straight-line rent	(5,108)	(20,671)	(7,072)
Deferred income tax expense	(1,729)	87	242
Other	5,275	3,684	1,942
Changes in operating assets and liabilities:			
Other receivables and other assets	7,988	(5,098)	5,460
Accounts payable, accrued expenses and other liabilities	1,561	28,945	8,442
Net cash provided by operating activities	**244,674**	**221,302**	**199,251**
INVESTING ACTIVITIES:			
Real estate acquisitions	(188,973)	(129,142)	(186,515)
Capital expenditures and development activities	(237,706)	(289,486)	(250,484)
Proceeds from dispositions of real estate investments	113,984	125,803	237,809
Investments in unconsolidated joint ventures	(14,345)	(17,820)	(1,660)
Proceeds from casualties	373	3,616	1,991
Distributions of investments in unconsolidated joint ventures	36,778	1,854	10,012
Other investing activities	(6,893)	(7,727)	(933)
Net cash used in investing activities	**(296,782)**	**(312,902)**	**(189,780)**
FINANCING ACTIVITIES:			
Proceeds from senior unsecured revolving line of credit	330,000	248,000	341,000
Repayments of senior unsecured revolving line of credit	(171,000)	(243,000)	(308,000)
Proceeds from senior unsecured notes	51,940	250,000	200,000
Repayments of senior unsecured notes	(76,000)	(174,000)	(40,000)
Principal payments on mortgage notes	(41,079)	(6,721)	(58,561)
Proceeds from issuance of common stock	97,273	108,604	—
Net settlement on issuance of stock-based compensation awards	(1,484)	(759)	(890)
Offering costs for issuance of common stock and OP Units	(1,773)	(1,644)	—
Redemption of noncontrolling interests	(7,176)	(5,692)	(4,421)
Dividends to common stockholders	(114,608)	(104,004)	(98,820)
Purchase of noncontrolling interest	—	(3,258)	—
Distributions to noncontrolling interests	(5,395)	(6,098)	(9,675)
Contributions from noncontrolling interests	611	444	648
Other financing activity	(1,430)	(2,076)	(4,523)
Net cash provided by financing activities	**59,879**	**59,796**	**16,758**
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**7,771**	**(31,804)**	**26,229**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	**18,074**	**49,878**	**23,649**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	**$ 25,845**	**$ 18,074**	**$ 49,878**
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest, net of capitalized interest	$ 60,042	$ 56,968	$ 50,294
Supplemental Disclosures of Non-Cash Activities:			
Retirement of fully depreciated and amortized assets	$ 34,053	$ 32,935	$ 34,752
Redemptions of OP Units settled in shares of common stock	$ 4,325	$ 13,784	$ 2,861
Decrease (increase) in dividends declared and not paid	$ (5,448)	$ (2,684)	$ (965)
Contributions from noncontrolling interests	$ 745	$ —	$ —
Assumption of mortgage notes in connection with real estate acquired	$ —	$ —	$ 22,958
Decrease (increase) in capital expenditures accruals	$ (19,288)	$ 20,903	$ (22,609)
Capitalized stock compensation	$ 1,478	$ 1,447	$ 1,632

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except unit information)

	December 31, 2017	December 31, 2016
ASSETS		
Land	$ 1,162,908	$ 1,075,995
Buildings and improvements	3,284,976	3,202,293
Intangible lease assets	65,919	78,356
Construction in progress	149,994	72,829
Total investment in properties	4,663,797	4,429,473
Less accumulated depreciation and amortization	(919,186)	(839,773)
Net investment in properties	3,744,611	3,589,700
Investments in and advances to unconsolidated joint ventures	72,231	95,606
Net investment in real estate	3,816,842	3,685,306
Cash and cash equivalents	10,522	10,286
Restricted cash	14,768	7,346
Straight-line rent and other receivables, net of allowance for doubtful accounts of $425 and $379, respectively	80,119	79,889
Other assets, net	25,740	25,315
Assets held for sale	62,681	—
Total assets	$ 4,010,672	$ 3,808,142
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	$ 115,150	$ 93,097
Distributions payable	35,070	29,622
Tenant prepaids and security deposits	34,946	32,884
Other liabilities	34,172	37,403
Intangible lease liabilities, net	18,482	21,421
Line of credit	234,000	75,000
Senior unsecured notes	1,328,225	1,351,969
Mortgage notes	160,129	201,959
Liabilities related to assets held for sale	1,035	—
Total liabilities	1,961,209	1,843,355
Partners' Capital:		
General Partner:		
OP Units, 969,565 and 950,442 issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	20,467	19,703
Limited Partners:		
OP Units, 95,986,961 and 94,093,805 issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	2,026,234	1,950,601
Accumulated other comprehensive loss	(12,303)	(18,634)
Total partners' capital	2,034,398	1,951,670
Noncontrolling interests	15,065	13,117
Total capital	2,049,463	1,964,787
Total liabilities and capital	$ 4,010,672	$ 3,808,142

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except per unit information)

	Year Ended December 31,		
	2017	2016	2015
REVENUES:			
Rental revenues	$ 423,026	$ 391,360	$ 353,091
Institutional capital management and other fees	1,442	1,416	1,606
Total revenues	424,468	392,776	354,697
OPERATING EXPENSES:			
Rental expenses	37,865	36,797	35,995
Real estate taxes	65,135	60,020	56,219
Real estate related depreciation and amortization	168,245	161,334	156,010
General and administrative	28,994	29,280	34,577
Impairment losses	283	—	2,285
Casualty gain	(274)	(2,753)	(414)
Total operating expenses	300,248	284,678	284,672
Operating income	124,220	108,098	70,025
OTHER INCOME (EXPENSE):			
Development profit, net of taxes	—	—	2,627
Equity in earnings of unconsolidated joint ventures, net	6,394	4,118	7,273
Gain on dispositions of real estate interests	47,126	49,895	77,871
Interest expense	(66,054)	(64,035)	(54,055)
Interest and other income (expense)	(5)	551	(40)
Impairment loss on land	(938)	—	—
Income tax expense and other taxes	(2,267)	(591)	(736)
Consolidated net income of DCT Industrial Operating Partnership LP	108,476	98,036	102,965
Net income attributable to noncontrolling interests	(1,103)	(924)	(4,409)
Net income attributable to OP Unitholders	107,373	97,112	98,556
Distributed and undistributed earnings allocated to participating securities	(665)	(669)	(678)
Adjusted net income attributable to OP Unitholders	$ 106,708	$ 96,443	$ 97,878
NET EARNINGS PER OP UNIT:			
Basic	$ 1.11	$ 1.03	$ 1.06
Diluted	$ 1.11	$ 1.03	$ 1.06
WEIGHTED AVERAGE OP UNITS OUTSTANDING:			
Basic	96,044	93,779	92,409
Diluted	96,158	93,894	92,741

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(in thousands)

	Year Ended December 31,		
	2017	2016	2015
Consolidated net income of DCT Industrial Operating Partnership LP	$ 108,476	$ 98,036	$ 102,965
Other comprehensive income:			
Net derivative gain (loss) on cash flow hedging instruments	529	(1,068)	(463)
Net reclassification adjustment on cash flow hedging instruments	5,428	6,611	4,785
Other comprehensive income	5,957	5,543	4,322
Comprehensive income	114,433	103,579	107,287
Comprehensive income attributable to noncontrolling interests	(1,143)	(964)	(4,381)
Comprehensive income attributable to OP Unitholders	$ 113,290	$ 102,615	$ 102,906

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statement of Changes in Capital
(in thousands)

	Total Capital	General Partner OP Units		Limited Partners OP Units		Accumulated Other Comprehensive Loss	Non-controlling Interests
		Units	Amount	Units	Amount		
Balance at December 31, 2014	$ 1,865,416	922	$ 18,819	91,291	$ 1,863,050	$ (28,487)	$ 12,034
Net income	102,965	—	986	—	97,570	—	4,409
Other comprehensive income (loss)	4,322	—	—	—	—	4,350	(28)
Issuance of OP Units, share-based compensation plans	(890)	—	—	267	(890)	—	—
Amortization of share-based compensation	10,577	—	—	—	10,577	—	—
Distributions to OP Unitholders and noncontrolling interests	(109,460)	—	(1,051)	—	(104,025)	—	(4,384)
Capital contribution from noncontrolling interests	648	—	—	—	—	—	648
Redemption of limited partner OP Units, net	(4,421)	—	—	(127)	(4,421)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	2	52	(2)	(52)	—	—
Balance at December 31, 2015	$ 1,869,157	924	$ 18,806	91,429	$ 1,861,809	$ (24,137)	$ 12,679
Net income	98,036	—	971	—	96,141	—	924
Other comprehensive income	5,543	—	—	—	—	5,503	40
Issuance of OP Units, net of selling costs	106,960	—	—	2,469	106,960	—	—
Issuance of OP Units, share-based compensation plans	(759)	—	—	348	(759)	—	—
Amortization of share-based compensation	7,142	—	—	—	7,142	—	—
Distributions to OP Unitholders and noncontrolling interests	(112,786)	—	(1,118)	—	(110,698)	—	(970)
Capital contributions from noncontrolling interests	444	—	—	—	—	—	444
Purchase of noncontrolling interest	(3,258)	—	—	—	(3,258)	—	—
Redemption of limited partner OP Units, net	(5,692)	—	—	(126)	(5,692)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	26	1,044	(26)	(1,044)	—	—
Balance at December 31, 2016	$ 1,964,787	950	$ 19,703	94,094	$ 1,950,601	$ (18,634)	$ 13,117
Cash flow hedging instruments cumulative effect adjustment (Note 2)	—	—	(4)	—	(410)	414	—
Net income	108,476	—	1,074	—	106,299	—	1,103
Other comprehensive income	5,957	—	—	—	—	5,917	40
Issuance of OP Units, net of selling costs	95,500	—	—	1,785	95,500	—	—
Issuance of OP Units, share-based compensation plans	(1,484)	—	—	261	(1,484)	—	—
Amortization of share-based compensation	7,498	—	—	—	7,498	—	—
Distributions to OP Unitholders and noncontrolling interests	(125,451)	—	(1,249)	—	(123,651)	—	(551)
Capital contributions from noncontrolling interests	1,356	—	—	—	—	—	1,356
Redemption of limited partner OP Units, net	(7,176)	—	—	(133)	(7,176)	—	—
Conversion of limited partner OP Units to OP Units of general partner	—	20	943	(20)	(943)	—	—
Balance at December 31, 2017	$ 2,049,463	970	$ 20,467	95,987	$ 2,026,234	$ (12,303)	$ 15,065

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
OPERATING ACTIVITIES:			
Consolidated net income of DCT Industrial Operating Partnership LP	**$ 108,476**	**$ 98,036**	**$ 102,965**
Adjustments to reconcile consolidated net income of DCT Industrial Operating Partnership LP to net cash provided by operating activities:			
Real estate related depreciation and amortization	168,245	161,334	156,010
Gain on dispositions of real estate interests	(47,126)	(49,895)	(77,871)
Distributions of earnings from unconsolidated joint ventures	6,519	6,056	5,590
Equity in earnings of unconsolidated joint ventures, net	(6,394)	(4,118)	(7,273)
Impairment losses	283	—	2,285
Impairment loss on land	938	—	—
Share-based compensation	6,020	5,695	8,945
Casualty gain	(274)	(2,753)	(414)
Straight-line rent	(5,108)	(20,671)	(7,072)
Deferred income tax expense	(1,729)	87	242
Other	5,275	3,684	1,942
Changes in operating assets and liabilities:			
Other receivables and other assets	7,988	(5,098)	5,460
Accounts payable, accrued expenses and other liabilities	1,561	28,945	8,442
Net cash provided by operating activities	**244,674**	**221,302**	**199,251**
INVESTING ACTIVITIES:			
Real estate acquisitions	(188,973)	(129,142)	(186,515)
Capital expenditures and development activities	(237,706)	(289,486)	(250,484)
Proceeds from dispositions of real estate investments	113,984	125,803	237,809
Investments in unconsolidated joint ventures	(14,345)	(17,820)	(1,660)
Proceeds from casualties	373	3,616	1,991
Distributions of investments in unconsolidated joint ventures	36,778	1,854	10,012
Other investing activities	(6,893)	(7,727)	(933)
Net cash used in investing activities	**(296,782)**	**(312,902)**	**(189,780)**
FINANCING ACTIVITIES:			
Proceeds from senior unsecured revolving line of credit	330,000	248,000	341,000
Repayments of senior unsecured revolving line of credit	(171,000)	(243,000)	(308,000)
Proceeds from senior unsecured notes	51,940	250,000	200,000
Repayments of senior unsecured notes	(76,000)	(174,000)	(40,000)
Principal payments on mortgage notes	(41,079)	(6,721)	(58,561)
Proceeds from the issuance of OP Units in exchange for contributions from the REIT, net	95,500	106,960	—
Net settlement on issuance of share-based compensation awards	(1,484)	(759)	(890)
OP Unit redemptions	(7,176)	(5,692)	(4,421)
Distributions paid on OP Units	(119,451)	(109,132)	(104,111)
Purchase of noncontrolling interest	—	(3,258)	—
Distributions paid to noncontrolling interests	(552)	(970)	(4,384)
Contributions from noncontrolling interests	611	444	648
Other financing activity	(1,430)	(2,076)	(4,523)
Net cash provided by financing activities	**59,879**	**59,796**	**16,758**
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**7,771**	**(31,804)**	**26,229**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	**18,074**	**49,878**	**23,649**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	**$ 25,845**	**$ 18,074**	**$ 49,878**
Supplemental Disclosures of Cash Flow Information:			—
Cash paid for interest, net of capitalized interest	$ 60,042	$ 56,968	$ 50,294
Supplemental Disclosures of Non-Cash Activities:			
Retirement of fully depreciated and amortized assets	$ 34,053	$ 32,935	$ 34,752
Contributions from noncontrolling interests	$ 745	$ —	$ —
Assumption of mortgage notes in connection with real estate acquired	$ —	$ —	$ 22,958
Decrease (increase) in capital expenditures accruals	$ (19,288)	$ 20,903	$ (22,609)
Capitalized stock compensation	$ 1,478	$ 1,447	$ 1,632

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

Note 1 – Organization

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. As used herein, the terms "Company," "we," "our" and "us" refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term "DCT" or "DCT Industrial," we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term "Operating Partnership," we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

DCT was formed as a Maryland corporation in April 2002 and has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. DCT owns properties through the Operating Partnership and its subsidiaries. As of December 31, 2017, DCT owned approximately 96.6% of the outstanding equity interests in the Operating Partnership.

As of December 31, 2017, the Company owned interests in approximately 74.8 million square feet of properties leased to approximately 850 customers, including:

- 65.1 million square feet comprising 398 consolidated operating properties, including five properties totaling 1.9 million square feet classified as held for sale, that were 97.8% occupied;
- 1.0 million square feet comprising six consolidated properties developed by DCT which are shell-construction complete and in lease-up;
- 0.1 million square feet comprising one consolidated property under redevelopment;
- 1.0 million square feet comprising three consolidated value-add acquisitions; and
- 7.6 million square feet comprising 21 unconsolidated properties that were 98.4% occupied and which we operated on behalf of two unconsolidated joint ventures.

In addition, the Company has 19 projects under construction and several projects in pre-development. See "Note 3 – Investment in Properties" for further details related to our development activity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the financial position, results of operations and cash flows of the Company, the Operating Partnership, their wholly-owned qualified REIT subsidiaries and taxable REIT subsidiaries, and their consolidated joint ventures, in which they have a controlling interest.

Equity interests in the Operating Partnership held by entities other than DCT are classified within partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in DCT's financial statements. Equity interests in entities consolidated into the Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests. We also have noncontrolling partnership interests in unconsolidated institutional capital management and other joint ventures, which are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated in consolidation.

All square feet, acres, occupancy, number of properties, number of customers and total projected investment disclosed in the notes to the Consolidated Financial Statements are unaudited.

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

We analyze our joint ventures in accordance with U.S. generally accepted accounting principles ("GAAP") to determine whether they are VIEs and, if so, whether we are the primary beneficiary. Our judgment with respect to our level of influence or control over an entity and whether we are the primary beneficiary of a VIE involves consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors (or equivalent body), the size of our investment (including loans), our obligation or right to absorb its losses or receive its benefits and our ability to participate in major decisions.

If a joint venture does not meet the characteristics of a VIE, we apply the voting interest model to determine whether the entity should be consolidated. Our ability to assess our influence or control over an entity affects the presentation of these investments in the Consolidated Financial Statements and our financial position and results of operations.

As described below in "New Accounting Standards," in 2016 we concluded our Operating Partnership meets the criteria of a VIE as the Operating Partnership's limited partners do not have the right to remove the general partner and do not have substantive participating rights in the operations of the Operating Partnership. Under the Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Partnership Agreement"), DCT is the primary beneficiary of the Operating Partnership as we have the obligation to absorb losses and receive benefits, and the power to control substantially all the activities which most significantly impact the economic performance of the Operating Partnership. Accordingly, the Operating Partnership is consolidated within DCT's financial statements.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization of Costs

We capitalize costs directly related to the development, pre-development, redevelopment or improvement of our investment in real estate, referred to as capital projects and other activities included within this paragraph. Costs associated with our capital projects are capitalized as incurred. If the project is abandoned, these costs are expensed during the period in which the project is abandoned. Costs considered for capitalization include, but are not limited to, construction costs, interest, real estate taxes and insurance, if appropriate. We capitalize indirect costs such as personnel, office and administrative expenses that are directly related to our development projects based on an estimate of the time spent on the construction and development activities. These costs are capitalized only during the period in which activities necessary to ready an asset for its intended use are in progress and such costs are incremental and identifiable to a specific activity to get the asset ready for its intended use. We determine when the capitalization period begins and ends through communication with project and other managers responsible for the tracking and oversight of individual projects. In the event that the activities to ready the asset for its intended use are suspended, the capitalization period will cease until such activities are resumed. In addition, we capitalize initial direct costs incurred for successful origination of new leases. Costs incurred for maintaining and repairing our properties, which do not extend their useful lives, are expensed as incurred.

Interest is capitalized based on actual capital expenditures from the period when development or redevelopment commences until the asset is ready for its intended use, at the weighted average borrowing rate during the period. We also capitalize interest on our qualifying investments in unconsolidated joint ventures based on the average capital invested in a venture during the period when the venture has activities in progress necessary to commence its planned principal operations, at our weighted average borrowing rate during the period. A "qualifying investment" is an investment in an unconsolidated joint venture provided that our investee's activities include the use of funds to acquire qualifying assets, such as development or pre-development activities, and planned principal operations have not commenced.

Assets Held for Sale

We classify certain properties and related assets and liabilities as held for sale when certain criteria are met. At such time, the respective assets and liabilities are presented separately on our Consolidated Balance Sheets. We include liabilities related to assets held for sale that will be transferred or settled in the transaction in "Liabilities related to assets held for sale." Assets held for sale are reported at the lower of carrying value or estimated fair value less estimated costs to sell.

Gains on sales of real estate assets are recognized if the specific transaction terms meet the various sale recognition criteria as defined by GAAP. If the criteria are not met, we defer the gain until such time that the criteria for sale recognition have been met. Net gains on sales and any impairment losses associated with assets held for sale are presented in continuing operations when recognized.

Fair Value

GAAP establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. The guidance establishes a hierarchy for inputs used in measuring fair value based on observable and unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are based on market data obtained from sources independent of DCT. Unobservable inputs are inputs that reflect our assumptions of pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2: Inputs include quoted prices for similar assets and liabilities in active or inactive markets or that are observable either directly or indirectly for the asset or liability; and

Level 3: Unobservable inputs are typically based on management's own assumptions, as there is little, if any, related observable market activity.

DCT's assets and liabilities that are measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Investment in Properties

We record the assets, liabilities and noncontrolling interests associated with property acquisitions which qualify as business combinations at their respective acquisition date fair values which are derived using a market, income or replacement cost approach, or combination thereof. Acquisition related costs associated with business combinations are expensed as incurred. As defined by GAAP, a business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

The fair value of identifiable tangible assets such as land, building, building and land improvements, and tenant improvements is determined on an "as-if-vacant" basis. Management considers Level 3 fair value inputs such as the replacement cost of such assets, appraisals, property condition reports, market data and other related information in determining the fair value of the tangible assets. The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to "Interest expense" over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The recorded fair value of intangible lease assets includes Level 3 fair value inputs and represents the value associated with in-place leases which include leasing commissions, legal and other costs, as well as an intangible asset or liability resulting from in-place leases being above or below the market rental rates over the lease term on the date of the acquisition. Intangible lease assets or liabilities are amortized over the reasonably assured lease term of the remaining in-place leases as an adjustment to "Rental revenues" or "Real estate related depreciation and amortization" depending on the nature of the intangible.

Due to the adoption of the Accounting Standard Updates ("ASU") in 2017, we expect most acquisitions to be acquisition of assets rather than a business combination as as our typical acquisitions consist of properties whereby substantially all the fair value of gross assets acquired is concentrated in a single asset (land, building and in-place leases), which under the new standard, will be treated as an asset acquisition. Asset acquisitions are recorded at the cumulative acquisition costs and allocated to the assets acquired and liabilities assumed on a relative fair value basis.

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

Real estate, including land, building, building and land improvements, tenant improvements, leasing costs and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to its estimated fair value.

Depreciation and Useful Lives of Real Estate Assets

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities. Our ability to assess the useful lives of our real estate assets accurately is critical to the determination of the appropriate amount of depreciation and amortization expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation and amortization expense we recognize.

The following table presents the standard depreciable lives generally used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The carrying value of assets sold or retired and the related accumulated depreciation and/or amortization is derecognized and the resulting gain or loss, if any, is recorded during the period in which such sale or retirement occurs.

Description	Expected Useful Life
Land	Not depreciated
Building	20 – 40 years
Building and land improvements	5 – 20 years
Tenant improvements	Shorter of lease term or useful life
Leasing costs	Lease term
Other intangible lease assets	Average term of leases for property
Above/below market rent assets/liabilities	Reasonably assured lease term

Depreciation is not recorded on real estate assets currently held for sale, in pre-development, or being developed or redeveloped until the building is substantially completed and ready for its intended use, and not later than one year from cessation of major construction activity.

Impairment of Properties

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

For the years ended December 31, 2017 and 2015, we recognized impairment losses of approximately $0.3 million on the disposition of one property in our Central operating segment and $2.3 million on the disposition of two properties in our East operating segments, respectively. The estimated fair values of the impaired properties were based upon the contractual sales price, a Level 2 fair value measurement. No impairment losses were recognized during the year ended December 31, 2016.

Investments in and Advances to Unconsolidated Joint Ventures

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

We recognize any gains from the contribution of investment properties into an unconsolidated joint venture if the recognition criteria have been met and the cash received is not required to be reinvested. Such gains are recognized to the extent of the outside ownership interest in the joint venture in our Consolidated Statements of Operations under the heading of “Gain on dispositions of real estate interests.” Any gain related to the remaining proceeds reduces our basis in the investment in the unconsolidated joint venture, and is recognized into earnings over the weighted average life of the related property’s real estate assets. We recognize our proportionate share of the ongoing earnings or losses of each unconsolidated joint venture in “Equity in earnings of unconsolidated joint ventures, net” in our Consolidated Statements of Operations.

Impairment of Investments in and Advances to Unconsolidated Joint Ventures

We evaluate our investments in unconsolidated entities for impairment whenever events or changes in circumstances indicate that there may be an other-than-temporary decline in value. To do so, we calculate the estimated fair value of the investment using a market, income or replacement cost approach, or combination thereof. The amount of impairment recognized, if any, would be the excess of the investment's carrying amount over its estimated fair value. We consider various factors to determine if a decline in the value of the investment is other-than-temporary. These factors are qualitative and quantitative Level 2 and 3 fair value inputs and include but are not limited to, age of the venture, our intent and ability to retain our investment in the entity, the financial condition and long-term prospects of the entity, expected term of the investment and the relationships with the other joint venture partners and its lenders. If we believe that the decline in the fair value is temporary, no impairment is recorded. The aforementioned factors are taken as a whole by management in determining the valuation of our investment. Should the actual results differ from management's estimates, the valuation could be negatively affected and may result in a negative impact on the Consolidated Financial Statements. See "Note 4 – Investments in and Advances to Unconsolidated Joint Ventures" for additional information.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less. We have not realized any losses in our cash and cash equivalents and believe that these short-term instruments are not exposed to any significant credit risk.

Restricted Cash

Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and capital replacement reserves, security deposits and amounts held by intermediary agents to be used for tax-deferred, like-kind exchange transactions. For the years ended December 31, 2017, and December 31, 2016, approximately $9.8 million and $4.8 million, respectively, of restricted cash was included in "Cash, Cash Equivalents and Restricted Cash" in our Consolidated Statements of Cash Flows related to tax deferred, like-kind exchange transactions. The funds that had been obtained in tax deferred, like-kind exchange transactions during the year ended December 31, 2016, were utilized during the year ended December 31, 2017.

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within our Consolidated Balance Sheets to amounts reported within our Consolidated Statements of Cash Flows (in thousands):

	As of December 31,	
	2017	2016
Cash and cash equivalents	$ 10,522	$ 10,286
Restricted cash	14,768	7,346
Restricted cash included in Other assets, net[(1)]	555	442
Total Cash, cash equivalents and restricted cash	$ 25,845	$ 18,074

(1) Includes cash balances presented in assets held for sale in our Consolidated Balance Sheets.

Straight-line Rent and Other Receivables

Straight-line rent and other receivables include all straight-line rent and current accounts receivable, net of allowances. We maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If a customer fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances. As of December 31, 2017, and 2016, our allowance for doubtful accounts was approximately $0.4 million and $0.4 million, respectively.

Debt

Debt consists of fixed and variable rate secured mortgage notes, senior unsecured notes and bank unsecured credit facilities. Discounts and premiums to the principal amounts are included in the carrying value of debt and amortized to "Interest expense"

over the remaining life of the underlying debt. As of December 31, 2017, and 2016, the aggregated premium balance, net of accumulated amortization, was approximately $1.3 million and $0.1 million, respectively. For the years ended December 31, 2017, 2016, and 2015, the amortization of all premiums/discounts resulted in a reduction of interest expense of approximately $0.8 million, $1.5 million and $2.8 million, respectively.

Debt issuance costs related to a recognized liability are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. Debt issuance costs related to line-of-credit arrangements are presented as an asset regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

Deferred loan costs include fees and costs incurred to obtain long-term financing. These fees and costs are amortized to "Interest expense" over the terms of the related loans. Accumulated amortization of deferred loan costs was approximately $7.5 million and $5.8 million as of December 31, 2017, and 2016, respectively. Our interest expense for the years ended December 31, 2017, 2016, and 2015, includes approximately $2.4 million, $2.5 million and $2.3 million for the amortization of loan costs, respectively.

Derivative Instruments and Hedging Activities

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

We have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy. Although, the credit valuation adjustments associated with our derivatives utilize Level 3 fair value inputs for estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties, the overall impact of this input to the overall fair value measurement is not significant, and thus our interest rate swaps are classified as Level 2 in the fair value hierarchy.

For derivatives designated as "cash flow" hedges, the change in the fair value of the derivative is initially reported in "Accumulated other comprehensive loss" in our Consolidated Balance Sheets (i.e., not included in earnings) and subsequently reclassified into earnings when the hedged transaction affects earnings or the hedging relationship is no longer highly effective. We assess the effectiveness of each hedging relationship whenever financial statements are issued. We do not use derivatives for trading or speculative purposes.

Comprehensive Income

We report comprehensive income in our Consolidated Statements of Comprehensive Income. Amounts reported in "Accumulated other comprehensive loss" related to settled hedging transactions will be amortized to "Interest expense" as the hedged forecasted transactions occur. See "Note 5 – Financial Instruments and Hedging Activities" for additional information. See "New Accounting Standards" below for additional information related to our adoption of the Derivatives and Hedging ASU.

Revenue Recognition

At the inception of a new lease arrangement, including new leases that arise from amendments, we assess the terms and conditions to determine the proper lease classification. A lease arrangement is classified as an operating lease if none of the following criteria are met: (i) transfer of ownership to the lessee, (ii) lessee has a bargain purchase option during or at the end of the lease term, (iii) the lease term is equal to 75% or more of the underlying property's economic life, or (iv) the present value of

future minimum lease payments (excluding executory costs) are equal to 90% or more of the excess estimated fair value (over retained investment tax credits) of the leased building. Generally our leases do not meet any of the other criteria above and accordingly are classified as operating leases. The Company's weighted average lease term based on square feet is 6.3 years.

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, receivables from tenants that we expect to collect over the remaining lease term are recorded on the balance sheet as straight-line rent receivables. The total increase to "Rental revenues" due to straight-line rent adjustments was approximately $5.1 million, $20.7 million and $7.1 million, respectively, for the years ended December 31, 2017, 2016, and 2015.

If the lease provides for tenant improvements, we determine whether the tenant improvements are owned by us or the tenant. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the leased asset until the tenant improvements are substantially complete. When we are the owner of the tenant improvements, any tenant improvements funded by the tenant are treated as lease payments which are deferred and amortized into rental revenues over the lease term. When the tenant is the owner of the tenant improvements, we record any tenant improvement allowance funded as a lease incentive and amortize it as a reduction of rental revenue over the lease term.

Tenant recovery income includes reimbursements due from tenants pursuant to their leases for real estate taxes, insurance, repairs and maintenance and other recoverable property operating expenses and is recognized as "Rental revenues" during the period the related expenses are incurred. The reimbursements are recognized and presented on a gross basis, as the Company is generally the primary obligor and, with respect to purchasing goods and services from third party suppliers, has discretion in selecting the supplier and bears the associated credit risk. Tenant recovery income recognized as "Rental revenues" was approximately $102.7 million, $92.0 million and $82.3 million, respectively, for the years ended December 31, 2017, 2016, and 2015.

In connection with property acquisitions qualifying as business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to "Rental revenues" over the reasonably assured term of the related leases. We consider a reasonably assured term to be the measurement period equal to the remaining non-cancelable term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining contractual lease term. The total net impact to "Rental revenues" due to the amortization of above and below market rents was an increase of approximately $2.9 million, $2.9 million and $3.0 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Future minimum base rental payment, i.e., cash received for monthly contractual rent, due to us from our customers under the terms of non-cancelable operating leases that have commenced as of December 31, 2017 were as follows (in thousands):

Year Ended December 31,		**Amounts**
2018	$	281,493
2019		248,916
2020		212,912
2021		166,020
2022		118,346
Thereafter		370,743
Total	$	1,398,430

The schedule above does not reflect future rental revenues from the potential renewal or replacement of existing and future leases and excludes tenant recovery income. Additionally, leases where the tenant can terminate the lease with short-term notice are not included.

Early lease termination fees are recorded in “Rental revenues” on a straight-line basis over the estimated remaining contractual lease term or upon collection if collectability is not assured. During the years ended December 31, 2017, 2016, and 2015, early lease termination fees were approximately $1.5 million, $0.9 million and $2.5 million, respectively.

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

We develop certain properties for specific buyers, called build-to-suit projects. We make certain judgments based on the specific terms of each project as to the amount and timing of recognition of profits from the project. Projects are generally accounted for using the percentage of completion method or full accrual method. Profits under the percentage of completion method are based on our estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. The percentage of completion estimates are based on a comparison of the contract expenditures incurred to the estimated final costs. Changes in job performance, job conditions and estimated profitability may result in revisions to the costs and income and are recognized in the period in which the revisions are determined. If the sale recognition criteria for using the percentage of completion or full accrual methods are not met, we apply another recognition method provided by GAAP, such as the installment or cost recovery methods. The profit recognized from these projects is reported net of estimated taxes, when applicable, and is included in “Development profit, net of taxes” in our Consolidated Statements of Operations.

Stock-Based Compensation

On October 10, 2006, we established the Long-Term Incentive Plan, as amended, to grant restricted stock, LTIP Units, stock options and other awards to our personnel and directors. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards fully vest. Such expense is included in “General and administrative” expense in our Consolidated Statements of Operations. Options issued under the Long-Term Incentive Plan are valued using the Black-Scholes option pricing model, which relies on assumptions we make related to the expected term of the options, volatility, dividend yield and risk-free interest rate.

Income and Other Taxes

We have elected to be taxed as a REIT, as defined under the Internal Revenue Code of 1986, as amended (the “Code”). As a REIT, we generally will not be subject to U.S. federal income taxes on our net income that is distributed to our stockholders if we distribute at least 90% of our REIT taxable income to our stockholders. REITs are also subject to a number of other organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local and non-U.S. income taxes. We also will be required to pay a 100% tax on non-arm’s length transactions between us and our taxable REIT subsidiary, any redetermined TRS service income and on any net income from gain on property that was held for sale to customers in the ordinary course of business.

Certain of our operations (property management, asset ownership or management, sales of certain assets, etc.) may be conducted through taxable REIT subsidiaries, which are subsidiaries of the operating partnership and each of which we refer to as a TRS. A TRS is a C-corporation for which a REIT and its subsidiary C-corporation have jointly elected for the C-corporation to be a taxable REIT subsidiary of the REIT and therefore is subject to U.S. federal corporate income tax.

For our taxable REIT subsidiaries, deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for U.S. federal income tax purposes, as well as interest and loss carryforwards, and are measured using current enacted tax rates and laws that are expected to be in effect when the differences reverse. We reduce deferred tax assets by recording a valuation allowance when we determine based on available evidence that it is more likely than not that the assets will not be realized.

We recognize tax benefits of uncertain tax positions only if it is more likely than not that the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The measurement of a tax benefit for an uncertain tax position that meets the “more likely than not” threshold is based on a cumulative probability model under which the largest amount of tax benefit recognized is the amount with a greater than 50% likelihood of being realized upon ultimate settlement with the taxing authority having full knowledge of all the relevant information. As of December 31, 2017 and 2016, there were no unrecognized tax benefits. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months. Our federal income tax returns and income tax returns for various state and local jurisdictions are subject to examination by the Internal Revenue Service for the year ended December 31, 2013 and subsequent years.

New Accounting Standards

New Accounting Standards Adopted

In February 2015, the Financial Accounting Standards Boards (“FASB”) issued an ASU that modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The guidance is effective for fiscal years beginning after December 15, 2015. We adopted this standard effective January 1, 2016. We concluded the Operating Partnership meets the criteria of a VIE and DCT is the primary beneficiary. Accordingly, the Operating Partnership is consolidated within DCT’s financial statements. As the Operating Partnership was previously consolidated, the adoption of the ASU did not result in any changes to our conclusions regarding consolidation or deconsolidation of entities. In October 2016, the FASB issued an update to this ASU that modifies the evaluation method for an entity determining whether it is the primary beneficiary of a VIE. The guidance is effective for fiscal years beginning after December 15, 2016, and we adopted this guidance retrospectively in 2016. The adoption of the ASU did not result in any changes to our conclusions regarding consolidation or deconsolidation of entities and did not have an impact in our Consolidated Financial Statements.

In March 2016, the FASB issued an ASU that simplifies the accounting for share-based payment transactions, including income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016, and effective January 1, 2017, we elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The adoption of the guidance was applied prospectively and did not have a significant impact on our Consolidated Financial Statements.

In August 2016, the FASB issued an ASU that clarifies how companies should classify certain cash receipts and payments on the statement of cash flows, including equity method investee distributions, insurance proceed settlements and contingent consideration payments made following a business combination. The new standard also clarifies the predominance principle applied when cash receipts and payments have aspects of more than one class of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted, and we adopted this guidance retrospectively in 2016. The adoption of the guidance did not have an impact on our Consolidated Financial Statements.

In November 2016, the FASB issued an ASU that requires companies to combine restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning and end of period total amounts on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted, and we adopted this guidance retrospectively in 2016. As a result, we have included restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning and end of period total amounts on our Consolidated Statements of Cash Flows. The effects of this standard were applied retrospectively to all prior annual periods presented within these Consolidated Financial Statements. For the year ended December 31, 2015, the effect of the change in accounting principle was the reduction in cash provided by operating activities of $1.3 million and the increase in cash used in investing activities of $28.7 million on our Consolidated Statements of Cash Flows.

In January 2017, the FASB issued an ASU that clarifies the definition of a business. The ASU is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. We adopted this standard prospectively effective January 1, 2017. As a result, we anticipate that fewer of our acquisitions made in the normal course of business will meet the definition of a business, as our typical acquisitions consist of properties whereby substantially all the fair value of gross assets acquired is concentrated in a single asset (land, building and in-place leases).

In August 2017, the FASB issued an ASU that modifies existing accounting standards for hedging to better align a company's financial reporting for hedging activities with its economic objectives. The new standard changes the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results, expands and refines hedge accounting for both nonfinancial and financial risk components, and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The ASU is effective for reporting periods beginning after December 15, 2018. Early adoption is permitted, and we adopted this standard using the modified retrospective transition method in September 2017. The adoption of this standard resulted in a cumulative effect adjustment of $0.4 million recorded as a decrease to “Accumulated Other Comprehensive Loss” and an increase to “Distributions in Excess of Earnings” as of January 1, 2017. Additionally, the effects of this standard were applied to the current period resulting in an immaterial impact to our Consolidated Financial Statements for the year ended December 31, 2017.

New Accounting Standards Issued but not yet Adopted

In May 2014, the FASB issued ASU 2014-09*Revenue from Contracts with Customers* (“ASU 2014-09”), that requires companies to recognize revenue from contracts with customers based upon the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The FASB subsequently issued additional ASUs which improve guidance and provide clarification of the new standard. The guidance is effective for fiscal years beginning after December 15, 2017, and the Company adopted the standard effective January 1, 2018 utilizing the modified retrospective transition method.

Accordingly, the guidance will be applied prospectively to contracts which were not completed as of the date of adoption. Based on our analysis, no material change to the amount or timing of revenues recognized occurred, including those derived from institutional capital management fees, as our primary revenue stream is from relatively short-term operating leases with tenants. Additionally, our historical property dispositions have been cash sales with no contingencies and no future involvement in the property operations.

As a result of adoption, the total impact to our financial statements in the first quarter of 2018 will be a cumulative adjustment recorded as an increase of $2.3 million to “Investments in and advances to unconsolidated joint ventures” and a decrease “Distributions in excess of earnings” related to the de-recognition of deferred gains related to a previous contributions of real estate properties into our joint ventures. No other material impacts to the Consolidated Financial Statements, related disclosures or internal control environment were identified.

In February 2016, the FASB issued an ASU that modifies existing accounting standards for lease accounting. The new standard requires a lessee to record a lease asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Revenue related to lease components will be recognized on a straight-line basis and revenue from non-lease components will be recognized in accordance with the principles of the Revenue from contracts with customers standard. Leases in which we are the lessors will be accounted as sales-type leases, direct financing leases or operating leases. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2016. The Company plans to adopt the new lease standard effective January 1, 2019 and we expect our operating leases with tenants will continue to qualify as operating leases. Revenue related to lease components will be recognized on a straight-line basis and revenue from non-lease components will be recognized in accordance with the principles of the Revenue from Contracts with Customers standard.

Upon adoption, we expect leases in which we are the lessor will continue to be accounted for as operating leases with minimal impact on the Company's financial condition or results of operation; however, this standard may impact the timing of recognition and disclosures related to our tenant recovery income earned from leasing our consolidated operating properties. Additionally, the standard only allows for lessors to capitalize incremental direct costs. As a result, the Company will no longer be able to capitalize initial direct costs related to the successful origination of new leases. During the year ended December 31, 2017, we capitalized $3.1 million of initial direct costs related to successful origination of new leases. The standard requires a modified retrospective transition approach for all capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with an option to elect certain transition relief.

Note 3 – Investment in Properties

Our consolidated investment in properties consists of our operating portfolio, properties under development, properties in pre-development, properties under redevelopment, value-add acquisitions and land held for development or other purposes. The historical cost of our investment in properties was (in thousands):

	As of December 31, 2017	As of December 31, 2016[1]
Operating portfolio	$ 4,249,242	$ 4,123,130
Properties under development	280,492	161,381
Properties in pre-development	51,883	52,998
Properties under redevelopment[2]	9,481	29,754
Value-add acquisitions[3]	68,673	54,512
Land held[4]	4,026	7,698
Total investment in properties	4,663,797	4,429,473
Less accumulated depreciation and amortization	(919,186)	(839,773)
Net investment in properties	$ 3,744,611	$ 3,589,700

(1) Prior year amounts recasted to conform to changes to operating portfolio definition made as of Q1 2017, namely the addition of Value-Add Acquisitions are only considered in the operating portfolio upon stabilization.

(2) Represents properties out of service while significant physical renovation of the property is underway or while the property is in lease-up subsequent to such renovation. May include properties taken out of service to change the properties' use and/or enhance its functionality.

(3) Consolidated properties that were acquired and upon acquisition met either of the following criteria:

- Occupancy of less than 75% upon acquisition; or
- Occupancy of less than 75% expected to occur due to known move-outs within 24 months of the acquisition date.

Consolidated properties that were acquired vacant or with known move-outs within 24 months of the acquisition date with the intention to have the property out of service for significant physical renovations are classified as redevelopment properties.

(4) Land held that is not intended to be improved or developed in the near future.

Acquisition Activity

2017 Acquisition Activity

During the year ended December 31, 2017, we acquired five buildings totaling approximately 1.3 million square feet for a total purchase price of approximately $129.0 million. As a result of our early adoption of the ASU that clarifies the definition of a business, our acquisitions are typically considered asset acquisitions as they consist of properties whereby substantially all the fair value of gross assets acquired is concentrated in the properties acquired. Acquisition costs incurred during the year ended December 31, 2017, include cumulative pre-acquisition costs that were expensed prior to January 1, 2017. The table below presents a summary of our acquisitions during 2017:

	Market	Number of Buildings	Square Feet
East Operating Segment	Orlando	1	121,000
Central Operating Segment	Chicago	1	787,000
West Operating Segment	Denver	1	44,000
	Northern California	1	73,000
	Southern California	1	300,000
	Total	3	417,000
	Total Acquisitions	**5**	**1,325,000**

2016 Acquisition Activity

During the year ended December 31, 2016, we acquired eight buildings totaling approximately 1.0 million square feet for a total purchase price of $84.3 million. Related to these acquisitions, we incurred acquisition costs of approximately $1.1 million during the year ended December 31, 2016, included in “General and administrative expense” in our Consolidated Statements of Operations. The table below presents a summary of our acquisitions during 2016:

	Market	Number of Buildings	Square Feet
Central Operating Segment	Chicago	2	139,000
	Cincinnati	1	301,000
	Dallas	1	82,000
	Total	4	522,000
West Operating Segment	Denver	1	146,000
	Northern California	1	66,000
	Southern California	2	255,000
	Total	4	467,000
	Total Acquisitions	**8**	**989,000**

Development Activity

2017 Development Activity

Our properties under development include the following:

- Six buildings totaling approximately 1.0 million square feet that we had completed shell-construction on as of December 31, 2017, with cumulative costs to date of approximately $75.3 million. These properties were 39.0% occupied based on weighted average square feet; and

- Nineteen projects under construction totaling approximately 4.9 million square feet with cumulative costs to date of approximately $205.2 million. These properties were 13.4% leased based on weighted average square feet as of December 31, 2017.

During the year ended December 31, 2017, we acquired land totaling approximately 344.3 acres for development in our Atlanta, Dallas, Houston, New Jersey, Northern California, Orlando, Pennsylvania and Seattle markets for approximately $57.0 million.

2016 Development Activity

Our properties under development included the following:

- Four buildings totaling approximately 1.2 million square feet that we had completed shell-construction on as of December 31, 2016. As of December 31, 2017, these buildings have been stabilized.
- Ten projects under construction totaling 2.6 million square feet.

During the year ended December 31, 2016, we acquired land totaling approximately 130.5 acres for development in our Baltimore/Washington D.C., Chicago, Dallas, Denver, Miami and Seattle markets for approximately $43.8 million that are under construction or held for development.

Disposition Activity

2017 Disposition Activity

During the year ended December 31, 2017, we sold 12 consolidated operating properties, totaling approximately 1.5 million square feet, to third-parties for gross proceeds of approximately $115.3 million. We recognized gains of approximately $47.1 million on the disposition of 11 properties and an impairment loss of approximately $0.3 million on one property during 2017. The impairment loss is included in “Consolidated net income of DCT Industrial Trust Inc.” in the Consolidated Statements of Operations. The table below presents a summary of our dispositions during 2017:

	Market	**Number of Buildings**	**Square Feet**
East Operating Segment	Baltimore/Washington D.C.	1	144,000
	Miami	1	49,000
	Orlando	1	193,000
	Total	3	386,000
Central Operating Segment	Cincinnati	1	66,000
	Dallas	1	50,000
	Louisville	1	300,000
	Total	3	416,000
West Operating Segment	Northern California	3	136,000
	Phoenix	3	594,000
	Total	6	730,000
	Total Dispositions	**12**	**1,532,000**

2016 Disposition Activity

During the year ended December 31, 2016, we sold 15 consolidated operating properties, totaling approximately 2.9 million square feet, to third-parties for gross proceeds of approximately $128.7 million. We recognized gains of approximately $49.9 million on the disposition of the properties. The table below presents a summary of our dispositions during 2016:

	Market	Number of Buildings	Square Feet
Central Operating Segment	Chicago	6	1,141,000
	Dallas	1	102,000
	Houston	3	273,000
	Indianapolis	3	823,000
	Louisville	1	506,000
	Total	14	2,845,000
West Operating Segment	Northern California	1	36,000
	Total Dispositions	**15**	**2,881,000**

Impairment Loss on Land

In 2017, the Company recognized a $0.9 million impairment loss on land held and used. Located in Reno, Nevada, the land was being held for future development. During 2017, the company marketed the land for sale and entered into a contract to sell, however, the purchaser ultimately canceled the contract. Based on the Company's intent to sell and the contracted price, we recorded an impairment to recognize the land at estimated fair value, which was primarily based on level 3 fair value inputs.

Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see "Note 2 – Summary of Significant Accounting Policies" for additional information) was approximately $11.0 million, $11.9 million and $14.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Our intangible lease assets and liabilities included the following (in thousands):

	December 31, 2017				December 31, 2016		
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Life (In Years)	Gross	Accumulated Amortization	Net
Other intangible lease assets	$ 62,785	$ (37,114)	$ 25,671	9	$ 75,085	$ (39,438)	$ 35,647
Above market rent	$ 3,134	$ (1,756)	$ 1,378	4	$ 3,271	$ (1,396)	$ 1,875
Below market rent	$ (28,883)	$ 10,401	$ (18,482)	22	$ (33,029)	$ 11,608	$ (21,421)

The following table presents the estimated net amortization of such intangible assets and liabilities and the net impact to rental revenues due to the amortization of above and below market rents for the next five years and thereafter (in thousands):

For the Period Ended December 31,	Estimated Net Amortization of Other Intangible Lease Assets	Estimated Net Increase to Rental Revenues Related to Above and Below Market Rents
2018	$ 7,607	$ 2,361
2019	5,768	1,734
2020	3,536	907
2021	1,820	735
2022	1,221	675
Thereafter	5,719	10,692
Total	$ 25,671	$ 17,104

Casualty Events

During 2017, we recorded casualty gains in our Consolidated Statements of Operations of approximately $0.3 million primarily related to an insurance settlement from a casualty event that occurred in 2016 at a property in our Southern California market.

During 2016, we recorded casualty gains in our Consolidated Statements of Operations of approximately $2.8 million primarily related to insurance settlements from casualty events in our Dallas and Northern California markets.

During 2015, a series of storms caused damage to some of our properties which were covered by insurance for all losses, subject to our deductibles. The recoveries received for damages were in excess of the sum of our incurred losses for clean-up costs and the net book value written off for the damaged property. After all contingencies relating to the casualties were resolved, we recorded casualty gains of approximately $0.4 million in our Consolidated Statements of Operations.

Note 4 – Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of operating and developing industrial real estate. Our investments in these joint ventures are included in “Investments in and advances to unconsolidated joint ventures” in our Consolidated Balance Sheets.

During May 2017, the Southern California Logistics Airport (“SCLA”) joint venture entered into a $30.0 million secured fixed rate term note with a maturity date of May 2024. The proceeds were used to pay down a portion of the existing term note maturing in October 2017 and as a return of contributions to the joint venture partners.

During June 2017, the TRT-DCT Venture III disposed of its three remaining properties. We received approximately $2.7 million for our share of the gross proceeds and recognized our share of the gain on the sale of approximately $1.2 million, which is included in “Equity in earnings of unconsolidated joint ventures, net” in our Consolidated Statements of Operations.

During June 2017, the SCLA joint venture completed development activities and stabilized one building totaling 0.4 million square feet.

During July 2017, the SCLA joint venture entered into a $13.5 million secured variable rate term note which bears interest at a variable rate equal to LIBOR plus a margin of 2.50% per annum with a maturity date of July 2024. The proceeds were used to return contributions to the joint venture partners. During August 2017, the SCLA joint venture entered into a pay-fixed, receive-floating interest rate swap which effectively fixed the interest rate on the related debt instrument at 4.55% with a maturity date of July 2024.

In October 2017, the SCLA joint venture entered into an agreement to extend the maturity date of its $61.0 million secured construction loan from October 2017 to October 2019.

During September 2016, the TRT-DCT Venture III disposed of one property. We received distributions of approximately $0.5 million from our share of the gross proceeds and recognized our share of the gain on the sale of approximately $0.1 million, which is included in "Equity in earnings of unconsolidated joint ventures, net" in our Consolidated Statements of Operations.

During September 2016, the SCLA joint venture completed development activities and stabilized one building totaling 0.4 million square feet.

During December 2016, the DCT/SPF Industrial Operating LLC joint venture acquired a 10.8 acre parking lot adjacent to a property located in the Cincinnati market owned by the venture. Our share of the purchase price was approximately $0.5 million.

The following table summarizes our unconsolidated joint ventures (dollars in thousands):

	As of December 31, 2017		Investments in and Advances to as of	
Unconsolidated Joint Ventures	**Ownership Percentage**	**Number of Buildings**	**December 31, 2017**	**December 31, 2016**
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC	20.0%	13	$ 36,630	$ 37,588
TRT-DCT Venture III	10.0%	—	220	1,546
Total Institutional Joint Ventures		13	36,850	39,134
Other:				
SCLA[(1)]	50.0%	8	35,381	56,472
Total		21	$ 72,231	$ 95,606

(1) Although we contributed 100% of the initial cash equity capital required by the venture, after return of certain preferential distributions on capital invested, profits and losses are generally split 50/50.

Our aggregate investment in these unconsolidated joint ventures at December 31, 2017, and 2016, of approximately $72.2 million and $95.6 million, respectively, exceeds our share of the underlying equity in the net assets of the joint ventures by approximately $12.8 million and $13.0 million, respectively, primarily due to costs incurred in connection with the ventures and capitalized interest prior to commencement of planned principal operations.

Institutional Capital Management Joint Ventures

DCT/SPF Industrial Operating LLC

During 2007, we entered into a joint venture agreement with Industrial Acquisition LLC ("JP Morgan"), an entity advised by JPMorgan Asset Management, to form DCT/SPF Industrial Operating LLC ("JP Morgan Venture") that owns and operates industrial properties located in the U.S. Our actual ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2017, our ownership interest is 20.0%. As a result of our contribution of properties into the JP Morgan Venture in 2007, we have deferred gains of $2.3 million as of December 31, 2017, which have previously been recognized through earnings over the weighted average life of the related properties; however, the remaining deferred gain will be fully de-recognized upon the adoption of ASU 2014-09 effective January 1, 2018. See "Note 2 – Summary of Significant Accounting Policies, New Accounting Standards" for additional information.

TRT-DCT Industrial Joint Ventures III

We formed a joint venture with DCDPF, TRT-DCT Industrial Joint Venture III, G.P. ("TRT-DCT Venture III"), on September 9, 2008. Our ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions. As of December 31, 2017, our ownership interest is 10%, however, we disposed of its three remaining properties during 2017 as discussed above.

Development Projects in Unconsolidated Joint Ventures

SCLA

During 2006, we entered into a joint venture agreement with Stirling Airports International, LLC, ("Stirling"), an unrelated third-party, to be the master developer of up to 4,350 acres in Victorville, California, part of the Inland Empire submarket in Southern California. The development project is located at the former George Air Force Base which closed in 1992 and is now known as SCLA. Stirling entered into two master development agreements which gave it certain rights to be the exclusive developer of the SCLA development project through 2019 (including certain extensions) and assigned these rights to the SCLA joint venture upon the closing of the venture. While our exact share of the equity interests in the SCLA joint venture will depend on the amount of capital we contribute and the timing of contributions and distributions, the SCLA joint venture contemplates an equal sharing between us and Stirling of residual profits and cash flows after all priority distributions. As of December 31, 2017, the SCLA joint venture owned eight operating buildings comprised of 3.0 million square feet which were 99.9% occupied, an additional 165.5 acres of land available for development.

Guarantees

There are no lines of credit or side agreements related to, or between, our unconsolidated joint ventures and us, and there are no derivative financial instruments between our unconsolidated joint ventures and us. In addition, we do not believe we have any material exposure to financial guarantees.

Note 5 – Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of December 31, 2017 and 2016, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

	As of December 31, 2017		As of December 31, 2016	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings:[(1)]				
Senior unsecured revolving credit facility	$ 234,000	$ 234,000	$ 75,000	$ 75,000
Fixed rate debt[(2)]	$ 1,370,421	$ 1,419,518	$ 1,411,349	$ 1,475,605
Variable rate debt	$ 125,000	$ 123,020	$ 150,000	$ 150,427
Interest rate contracts:				
Interest rate swap asset[(3)]	$ 3,866	$ 3,866	$ 2,084	$ 2,084

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

(2) The carrying amount of our fixed rate debt includes premiums and discounts and excludes deferred loan costs.

(3) The fair value of our interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows based on an expectation of future interest rates derived from Level 2 observable market interest rate curves. The asset or liability is included in "Other assets, net" or "Other liabilities," respectively, in our Consolidated Balance Sheets.

Hedging Activities

To manage interest rate risk for variable rate debt and issuances of fixed rate debt, we primarily use treasury locks and interest rate swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Such derivatives have been used to hedge the variability in existing and future interest expense associated with existing variable rate borrowings and forecasted issuances of debt, which may include issuances of new debt, as well as refinancing of existing debt upon maturity.

Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

For derivatives designated as “cash flow” hedges, the change in the fair value of the derivative is initially reported in “Other comprehensive income” (“OCI”) in our Consolidated Statements of Comprehensive Income (i.e., not included in earnings) and subsequently reclassified into “Interest expense” when the hedged transaction affects earnings or the hedging relationship is no longer highly effective. We assess the effectiveness of each hedging relationship whenever financial statements are issued or earnings are reported and at least every three months. We do not use derivatives for trading or speculative purposes.

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rates swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of December 31, 2017 and 2016, we had borrowings payable subject to these pay-fixed, receive-floating interest swaps with aggregate principal balances of approximately $6.4 million and $6.6 million, respectively.

During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates on our $200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. The interest rate swap effectively fixes the interest rate on the related debt instrument at 3.31%, however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. In the event that USD LIBOR is negative, the Company will make payments to the hedge counterparty equal to the negative spread between USD LIBOR and zero. During the year ended December 31, 2016, we recorded a non-cash charge of approximately $0.4 million of hedge ineffectiveness in earnings attributable to a 0.0% floor mismatch in the hedging relationships (i.e., there is no floor on the variable interest rate of the swap whereas the current variable rate debt from which the hedged forecasted transactions are expected to flow is subject to a 0.0% floor on the USD LIBOR component of the interest rate). See “Note 2 – Summary of Significant Accounting Policies” for the impact to the Consolidated Financial Statements from the adoption of the Derivatives and Hedging ASU in September 2017. As of December 31, 2017 and 2016, the entire $200.0 million principal amount of the term loan was subject to this pay-fixed, receive-floating interest swap.

The following table presents the effect of our derivative financial instruments on our accompanying Consolidated Financial Statements (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Derivatives in Cash Flow Hedging Relationships			
Interest Rate Swaps:			
Amount of gain (loss) recognized in OCI for derivatives	$ 529	$ (1,068)	$ (463)
Amount of loss reclassified from accumulated OCI for derivatives into interest expense and equity in earnings of unconsolidated joint ventures, net	$ (5,428)	$ (6,611)	$ (4,785)
Amount of loss recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)	$ —	$ (414)	$ —

Amounts reported in "Accumulated other comprehensive loss" related to derivatives will be amortized to "Interest expense" as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $3.8 million will be reclassified from "Accumulated other comprehensive loss" to "Interest expense" resulting in an increase in interest expense.

Note 6 – Outstanding Indebtedness

As of December 31, 2017, our outstanding indebtedness of approximately $1.7 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately $51.9 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2016, our outstanding indebtedness of $1.6 billion consisted of mortgage notes, senior unsecured notes and bank unsecured credit facilities, excluding approximately $35.2 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures.

As of December 31, 2017, the gross book value of our consolidated properties was approximately $4.7 billion and the gross book value of all properties securing our mortgage debt was approximately $0.5 billion. As of December 31, 2016, the total gross book value of our consolidated properties was approximately $4.4 billion and the gross book value of all properties securing our mortgage debt was approximately $0.6 billion. Our debt has various covenants with which we were in compliance as of December 31, 2017 and 2016.

Our outstanding indebtedness is summarized below (in thousands, see footnotes on following page):

	Interest Rate(1)	Maturity Date	As of December 31, 2017	As of December 31, 2016
Senior Unsecured Notes:				
9 year, fixed rate	5.43%	Apr-20	$ 50,000	$ 50,000
Private Placement 7 year, fixed rate	6.31%	Jun-17	—	51,000
Private Placement 8 year, fixed rate	6.52%	Jun-18	41,500	41,500
Private Placement 11 year, fixed rate	6.95%	Jun-21	77,500	77,500
2011 Private Placement 7 year, fixed rate	4.69%	Aug-18	40,000	40,000
2011 Private Placement 8 year, fixed rate	4.97%	Aug-19	46,000	46,000
2011 Private Placement 10 year, fixed rate	5.42%	Aug-21	15,000	15,000
2011 Private Placement 11 year, fixed rate	5.50%	Aug-22	40,000	40,000
2011 Private Placement 12 year, fixed rate	5.57%	Aug-23	35,000	35,000
2012 Private Placement 10 year, fixed rate (2)	4.21%	Sep-22	90,000	90,000
2016 Private Placement 8 year, fixed rate	3.75%	Aug-24	80,000	80,000
2016 Private Placement 10 year, fixed rate	3.92%	Aug-26	90,000	90,000
2016 Private Placement 12 year, fixed rate	4.02%	Aug-28	80,000	80,000
2013 Bonds, 10 year, fixed rate (2)	4.50%	Oct-23	325,000	275,000
Mortgage Secured Notes:				
Airport Distribution Center	6.88%	Apr-17	—	17,439
1725 Puyallup Street	6.11%	Apr-17	—	3,470
6740 Dorsey	5.62%	Jun-17	—	8,200
State Highway 225	6.25%	Aug-17	—	5,451
Miami Commerce Center	6.91%	Oct-18	532	1,200
Cabot	6.17%	Feb-19	46,847	47,808
Cabot(2)	6.11%	Feb-20	61,027	62,295
6400 Hollister	6.70%	Apr-20	5,899	6,075
7425 Pinemont	6.25%	Jul-20	2,322	2,367
1050 Northbrook Parkway	5.50%	Jan-21	2,506	2,690
1625 Rollins Road	4.25%	Dec-21	16,881	17,451
Haven A	7.29%	Oct-22	4,762	5,572
1450 Remington Blvd	6.72%	Nov-22	5,053	5,912
Haven G(3)	4.72%	Jun-23	873	898
740 Palmyrita (3)	4.72%	Jun-23	5,573	5,729
6th & Rochester	4.96%	Aug-23	2,024	2,326
1555 Oakley Industrial Blvd	5.75%	Aug-25	4,832	5,327
Total			1,169,131	1,211,210
Premiums/Discounts, Net of Amortization	N/A		1,290	139
Deferred Loan Costs, Net of Amortization	N/A		(4,650)	(4,956)
Total Senior Unsecured Notes and Mortgage Notes, net	N/A		1,165,771	1,206,393
Bank Unsecured Credit Facilities:				
Senior unsecured revolving credit facility	2.49%	Apr-19	234,000	75,000
2017 Notes, variable rate	1.82%	Apr-17	—	25,000
2020 Notes, variable rate	2.59%	Apr-20	125,000	125,000
2022 Notes, fixed rate(3)	3.31%	Dec-22	200,000	200,000
Deferred Loan Costs, Net of Amortization (4)			(2,417)	(2,465)
Total Bank Unsecured Credit Facilities			556,583	422,535
Total Carrying Value of Debt			$ 1,722,354	$ 1,628,928
Fixed Rate Debt(5)	4.68%		$ 1,369,131	$ 1,411,210
Premiums/Discounts, Net of Amortization	N/A		1,290	139
Deferred Loan Costs, Net of Amortization (4)	N/A		(7,067)	(7,421)
Variable Rate Debt(5)	2.53%		359,000	225,000
Total Carrying Value of Debt	N/A		$ 1,722,354	$ 1,628,928

(1) Interest rates for fixed rate debt are stated rates. Interest rates for variable rate debt are the interest rate charged as of the last payment in 2017.
(2) We settled certain derivative instruments related to these notes and the settlement amount of these derivative instruments are amortized to interest expense over the life of the assigned notes.
(3) Reflects the effective interest rate as a result of pay-fixed, receive-floating interest swaps as described in "Note 5 – Financial Instruments and Hedging Activities."
(4) Excludes deferred loan costs for line-of-credit arrangements, net of amortization, of approximately $1.2 million and $2.2 million as of December 31, 2017 and 2016, respectively.
(5) Weighted average interest rates are based upon outstanding balances as of December 31, 2017.

Debt Issuance, Payoffs and Refinancing

During December 2015, we entered into a $200.0 million variable rate senior unsecured term loan which matures on December 10, 2022, and bears interest at a variable rate equal to 1 month USD LIBOR, plus a margin, depending on our public debt credit rating, of between 1.45% to 2.40% per annum or, at our election, an alternate base rate plus a margin of between 0.45% to 1.40% per annum. We primarily used the proceeds to pay down the senior unsecured revolving credit facility and for general corporate purposes. On December 11, 2015, we entered into a pay-fixed, receive-floating interest rate swap which effectively fixes the interest rate on the term loan at 3.31% through maturity, however, there is no floor on the variable interest rate of the swap whereas the current variable-rate debt is subject to a 0.0% floor. In the event that USD LIBOR was negative, the Company would make payments to the hedge counterparty equal to the spread between USD LIBOR and zero. During December 2017, we amended the senior unsecured term loan, lowering our margin to between .90% to 1.75% per annum effective January 1, 2018, and based on our public debt credit rating, resulted in a fixed rate of 2.81% beginning on that date.

During March 2017, the Operating Partnership issued $50.0 million aggregate principal amount of 4.50% senior notes due 2023 at 103.88% of face value in a public offering for net proceeds of approximately $51.2 million after offering costs and excluding accrued interest of approximately $0.9 million. The notes were issued under our indenture dated October 9, 2013, and form part of the same series as our previously issued 4.50% senior notes due 2023. We primarily used the net proceeds to pay down our senior unsecured revolving credit facility and for general corporate purposes.

During March 2017, we repaid the remaining $25.0 million outstanding on our $100.0 million term loan maturing April 2017 at par using proceeds from our senior unsecured revolving credit facility.

During June 2017, we paid-off our $51.0 million senior unsecured note at par maturing June 2017 using proceeds from our senior unsecured revolving credit facility and proceeds from the issuance of common stock under our continuous equity offering program.

During the year ended December 31, 2017, we paid-off four mortgage notes totaling $34.5 million maturing in 2017 at par using proceeds from our senior unsecured revolving credit facility.

During August 2016, we issued $250.0 million of fixed rate senior unsecured notes in a private placement offering. The notes have an average term of 10 years, a weighted average interest rate of 3.90% and require semi-annual interest payments. We primarily used the proceeds to pay down our senior unsecured revolving credit facility, payoff a $49.0 million senior unsecured note at maturity and for the early payoff of a $75.0 million portion of our $100.0 million senior unsecured term loan maturing in April 2017.

Line of Credit

As of December 31, 2017, we had $234.0 million outstanding and $164.1 million available under our $400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling $1.9 million. As of December 31, 2016, we had $75.0 million outstanding and $323.1 million available under our senior unsecured revolving credit facility, net of two letter of credit totaling $1.9 million.

Guarantee of Debt

DCT has guaranteed the Operating Partnership's obligations with respect to the senior unsecured notes and the bank unsecured credit facilities.

Interest Expense and Capitalized Interest

During the years ended December 31, 2017, 2016, and 2015, we incurred interest expense of approximately $79.1 million, $73.9 million and $69.9 million, respectively. We capitalized approximately $13.0 million, $9.9 million and $15.8 million of interest in 2017, 2016, and 2015, respectively, associated with certain development, redevelopment and other construction activities.

Debt Maturities

The following table presents the scheduled maturities of our debt and regularly scheduled principal amortization, excluding unamortized premiums, discounts and deferred loan costs as of December 31, 2017 (in thousands):

Year	Senior Unsecured Notes	Mortgage Notes	Bank Unsecured Credit Facilities	Total
2018	$ 81,500	$ 6,747	$ —	$ 88,247
2019	46,000	51,344	234,000	331,344
2020	50,000	71,933	125,000 (1)	246,933
2021	92,500	18,436	—	110,936
2022	130,000	3,116	200,000 (1)	333,116
Thereafter	610,000	7,555	—	617,555
Total	$ 1,010,000	$ 159,131	$ 559,000	$ 1,728,131

(1) The term loan facilities are presented in "Senior unsecured notes" in our Consolidated Balance Sheets.

Note 7 – Commitments and Contingencies

Legal Matters

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

Operating Leases

The following table presents our contractual obligations as of December 31, 2017, specifically our obligations under operating lease agreements and ground lease agreements (in thousands):

Year Ended December 31,	Operating Leases	Ground Leases
2018	$ 1,345	$ 938
2019	1,341	906
2020	1,297	901
2021	1,019	609
2022	784	551
Thereafter	1,154	8,029
Total	$ 6,940	$ 11,934

Substantially all of the office space and equipment subject to the operating leases are for the use at our corporate, regional and market offices. Rent expense recognized was approximately $1.4 million, $1.2 million and $1.1 million during the years ended December 31, 2017, 2016, and 2015, respectively.

Note 8 – Noncontrolling Interests

DCT

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests of DCT primarily represent limited partnership interests in the Operating Partnership and equity interests held by third party partners in consolidated real estate investments, including related parties as discussed in "Note 12 – Related Party Transactions." Our noncontrolling interests held by third-party partners in our consolidated joint ventures totaled $15.1 million and $13.1 million as of December 31, 2017, and 2016, respectively. Our noncontrolling interests' share of consolidated net income totaled $5.0 million, $5.0 million and $8.9 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Operating Partnership

Equity interests in the Operating Partnership held by third parties and LTIP Units, as defined in "Note 9 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership," are classified as permanent equity of the Operating Partnership and as noncontrolling interests of DCT in the Consolidated Balance Sheets.

All income attributable to noncontrolling interest holders for all periods presented in the Operating Partnership's Consolidated Statements of Operations is income from continuing operations.

Note 9 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership

DCT

Common Stock

As of December 31, 2017, and 2016, approximately 93.7 million and 91.5 million shares of common stock were issued and outstanding, respectively.

On September 10, 2015, we registered a continuous equity offering program, to replace our continuous equity offering program previously registered on May 29, 2013, whereby the Company may issue 5.0 million shares of common stock, at a par value of $0.01 per share, from time-to-time through September 10, 2018, in "at-the-market" offerings or certain other transactions. During the years ended December 31, 2017, and 2016, we issued approximately 1.8 million and 2.5 million shares of common stock through the continuous equity offering program, at a weighted average price of $54.48 and $43.98 per share for proceeds of approximately $95.5 million and $107.0 million, net of offering costs, during each respective period. The proceeds from the sale of shares of common stock were contributed to the Operating Partnership for an equal number of OP units in the Operating Partnership and were used for general corporate purposes, including funding developments and redevelopments. As of December 31, 2017, approximately 0.7 million shares of common stock remain available to be issued under the current offering.

During the years ended December 31, 2017, 2016, and 2015, we issued approximately 0.1 million, 0.1 million and 0.1 million, respectively, shares of common stock related to vested shares of restricted stock, phantom shares and stock option exercises.

The holders of shares of our common stock are entitled to one vote per share on all matters voted on by stockholders, including election of our directors. Our articles of incorporation, as amended, do not provide for cumulative voting in the election of our directors. Therefore, the holders of the majority of the outstanding shares of common stock can elect the entire board of directors. Subject to any preferential rights of any outstanding series of our preferred stock and to the distribution of specified amounts upon liquidation with respect to shares-in-trust, the holders of our common stock are entitled to such distributions as may be declared from time to time by our board of directors out of legally available funds and, upon liquidation, are entitled to receive all assets available for distribution to stockholders. All shares issued in our public offerings are fully paid and non-assessable shares of common stock. Holders of our common stock do not have preemptive rights.

Operating Partnership

OP Units

For each share of common stock issued by DCT, the Operating Partnership issues a corresponding OP Unit to DCT in exchange for the contribution of the proceeds from the stock issuances.

As of December 31, 2017, and 2016, DCT owned approximately 96.6% and 96.3%, respectively, of the outstanding equity interests in the Operating Partnership. The remaining common partnership interests in the Operating Partnership were owned by executives of the Company and non-affiliated limited partners.

Limited partners have the right to require the Company to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Partnership Agreement), provided that such OP Units have been outstanding for at least one year. The Company may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Shares Amount (generally one share of DCT's common stock for each OP Unit), as defined in the Partnership Agreement.

During the years ended December 31, 2017, 2016, and 2015, approximately 0.3 million, 0.7 million and 0.3 million OP Units were redeemed for approximately $2.7 million, $5.2 million and $4.1 million in cash and approximately 0.3 million, 0.6 million and 0.2 million shares of DCT common stock, respectively. The OP Unit redemptions exclude LTIP Unit redemptions, see "LTIP Units" within "Note 11 – Equity Based Compensation" for further details.

As of December 31, 2017, 2016, and 2015, there were approximately 3.2 million, 3.5 million and 4.0 million outstanding OP Units in each corresponding period held by entities other than DCT and redeemable, with an aggregate redemption value of approximately $191.0 million, $168.9 million and $150.9 million based on the $58.78, $47.88 and $37.37 per share closing price of DCT's common stock on December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, 2016 and 2015, included in OP Units were approximately 0.8 million, 0.7 million and 0.6 million vested LTIP Units issued under our Long-Term Incentive Plan, respectively.

Allocations of Net Income and Net Losses to Partners

The Operating Partnership's net income and loss will generally be allocated to the general partner and the limited partners in accordance with the respective percentage interests in the OP Units issued by the Operating Partnership.

Dividend Reinvestment and Stock Purchase Plan

We offer shares of common stock through the Dividend Reinvestment and Stock Purchase Plan (the "Plan"). The Plan permits stockholders to acquire additional shares with quarterly dividends and to make additional cash investments to buy shares directly. Shares of common stock may be purchased in the open market, through privately negotiated transactions, or directly from us as newly issued shares of common stock. All shares issued under the Plan were either acquired in the open market or newly issued.

Preferred Shares

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of 50,000,000 preferred shares of any class or series. The rights and terms of such preferred shares will be determined by our board of directors. However, the voting rights of preferred stockholders shall never exceed the voting rights of common stockholders. As of December 31, 2017, and 2016, we had no outstanding shares of preferred stock.

Shares-in-Trust

Our board of directors, through the articles of incorporation, as amended, has the authority to authorize the issuance of 100,000,000 shares-in-trust which are shares that are automatically exchanged for common or preferred shares as a result of an event that would cause an investor to own, beneficially or constructively, a number of shares in excess of certain limitations. As of December 31, 2017, and 2016, we had no outstanding shares-in-trust.

Distributions

Our distributions are calculated based upon the total number of shares of our common stock and OP Units outstanding on the distribution record date as declared by our board of directors. We accrue and pay distributions on a quarterly basis. The following table presents the distributions that have been paid and/or declared to date by our board of directors:

Amount Declared During Quarter Ended in 2017:	Per Share	Date Paid
December 31,	$ 0.36	January 4, 2018
September 30,	0.31	October 18, 2017
June 30,	0.31	July 12, 2017
March 31,	0.31	April 12, 2017
Total 2017	$ 1.29	

Amount Declared During Quarter Ended in 2016:		Date Paid
December 31,	$ 0.31	January 5, 2017
September 30,	0.29	October 19, 2016
June 30,	0.29	July 13, 2016
March 31,	0.29	April 13, 2016
Total 2016	$ 1.18	

Amount Declared During Quarter Ended in 2015:		Date Paid
December 31,	$ 0.29	January 7, 2016
September 30,	0.28	October 14, 2015
June 30,	0.28	July 15, 2015
March 31,	0.28	April 15, 2015
Total 2015	$ 1.13	

Note 10 – Net Earnings per Share/Unit

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

A participating security is defined by GAAP as an unvested share-based payment award containing non-forfeitable rights to dividends and must be included in the computation of earnings per share/unit pursuant to the two-class method. Nonvested restricted stock and LTIP Units are considered participating securities as these share-based awards contain non-forfeitable rights to dividends irrespective of whether the awards ultimately vest or expire.

DCT

The following table presents the computation of basic and diluted weighted average common shares outstanding (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Denominator			
Weighted average common shares outstanding – basic	92,574	89,867	88,182
Effect of dilutive securities:			
Stock options and phantom stock	114	115	332
Weighted average common shares outstanding – diluted	92,688	89,982	88,514

Operating Partnership

The following table presents the computation of basic and diluted weighted average OP Units outstanding (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Denominator			
Weighted average OP Units outstanding – basic	96,044	93,779	92,409
Effect of dilutive securities:			
Stock options and phantom stock	114	115	332
Weighted average OP Units outstanding – diluted	96,158	93,894	92,741

DCT and the Operating Partnership

Potentially Dilutive Shares

For the years ended December 31, 2017, 2016, and 2015, DCT excluded from diluted earnings per share the weighted average common share equivalents related to 3.5 million, 3.9 million and 4.2 million OP Units, respectively, because their effect would be anti-dilutive.

Note 11 – Equity Based Compensation

Long-Term Incentive Plan

On October 10, 2006, the Company established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors, as defined in the plan. Subject to adjustment upon certain corporate transactions or events, the total number of shares of our common stock subject to such awards may not exceed 5.8 million shares and in no event may any optionee receive options for more than 0.5 million shares on an annual basis.

Phantom Shares

Pursuant to the Long-Term Incentive Plan, as amended, the Company may grant phantom shares to non-employee directors. Phantom shares generally vest upon the first anniversary of the grant date, depending on the grant. Once vested and at the discretion of the grantee, the phantom stock can be converted into either cash or DCT common stock at the option of the Company. Phantom shares are recorded at their fair value on the date of grant and are amortized on a straight-line basis over the service period during which term the shares fully vest.

Restricted Stock

Restricted stock is recorded at fair value on the date of grant, based the closing price of our common stock, and amortized on a straight-line basis over the service period during which the stock vests. Restricted stock generally vests ratably over a period of four to five years, depending on the grant. Restricted stock represents the right to receive one share of DCT common stock in the future, have no exercise price, and receive distributions equally along with common shares.

LTIP Units

Pursuant to the Long-Term Incentive Plan, as amended, the Company may grant limited partnership interests in the Operating Partnership called LTIP Units. Vested LTIP Units may be redeemed by the Company in cash or DCT common stock, at the discretion of the Company, on a one-for-one basis with common shares, subject to certain restrictions of the Partnership Agreement. LTIP Units receive distributions equally along with common shares. LTIP Units generally vest ratably over a period of four to five years, depending on the grant. LTIP Unit equity compensation is amortized into expense over the service period during which the units vest.

During the year ended December 31, 2017, approximately 0.1 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of $5.9 million at the date of grant as determined by a lattice-binomial option-

pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 19% and a weighted average risk-free interest rate of 1.93%.

During the year ended December 31, 2016, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value of $6.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 23% and a weighted average risk-free interest rate of 1.28%.

During the year ended December 31, 2015, approximately 0.2 million LTIP Units were granted to certain senior executives, which vest over a four year period with a total fair value $7.3 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 26% and a weighted average risk-free interest rates of 1.28%.

Additionally, in December 2015, we entered into a resignation agreement and consulting agreement with a senior executive. We recognized $3.6 million of expense for the year ended December 31, 2015, in "General and administrative" expense in our Consolidated Statement of Operations related to the following equity grants. Approximately 61,000 LTIP Units were granted, of which approximately 35,000 LTIP Units vested immediately and 26,000 LTIP Units vest over a one year period. The fair value of the awards was $2.1 million as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a volatility factor of 23% and a weighted average risk-free rate of 1.76%. Additionally, vesting was accelerated on approximately 38,000 of unvested LTIP Units and approximately 6,000 LTIP Units were accelerated to vest within one year resulting in an additional $1.5 million of expense for the year ended December 31, 2015.

The following table summarizes the number of awards redeemed and converted to DCT's common stock on a one for one basis, the fair value at vesting date for the awards vested during the period and the number of awards outstanding at period end related to phantom shares, restricted stock and LTIP Units:

	Phantom Shares	Restricted Stock	LTIP Units[1]
During the year ended December 31, 2017:			
Common stock issued for vested units (in thousands)	22	31	52
Fair value of units vested (in millions)	$ 0.7	$ 2.0	$ 9.0
Units outstanding at end of period (in thousands)	76	94	1,178
During the year ended December 31, 2016:			
Common stock issued for vested units (in thousands)	4	38	111
Fair value of units vested (in millions)	$ 0.6	$ 1.7	$ 10.7
Units outstanding at end of period (in thousands)	85	109	1,168
During the year ended December 31, 2015:			
Common stock issued for vested units (in thousands)	4	58	60
Fair value of units vested (in millions)	$ 0.5	$ 2.1	$ 6.3
Units outstanding at end of period (in thousands)	75	107	1,097

(1) During the years ended December 31, 2017, 2016, and 2015, approximately 81,000, 13,000 and 8,000 LTIP Units were redeemed for approximately $4.5 million, $0.5 million and $0.3 million in cash during each respective period.

The following table summarizes additional information concerning our unvested phantom shares, restricted stock and LTIP Units (shares in thousands):

	Phantom Shares		Restricted Stock		LTIP Units	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2014	16	$ 31.28	164	$ 27.77	457	$ 25.66
Granted	15	33.70	28	37.68	315	35.17
Vested	(16)	31.28	(58)	26.57	(178)	24.56
Forfeited	—	—	(28)	30.21	(47)	30.57
Unvested at December 31, 2015	15	33.70	106	30.33	547	27.13
Granted	14	41.43	54	36.25	194	32.71
Vested	(15)	33.70	(45)	28.50	(281)	30.84
Forfeited	—	—	(6)	34.14	—	—
Unvested at December 31, 2016	14	41.43	109	33.80	460	32.42
Granted	13	51.10	36	44.30	143	41.12
Vested	(14)	41.43	(43)	31.86	(187)	31.82
Forfeited	—	—	(8)	38.86	—	—
Unvested at December 31, 2017	13	$ 51.10	94	$ 38.25	416	$ 35.68

Stock Options

The Company may grant stock options to certain employees pursuant to our Long-Term Incentive Plan, as amended. The term of such options is 10 years from the date of grant unless forfeited earlier and the period during which the right to exercise such options fully vests ranges from four to five years from the date of grant. No stock options were granted under our Long-Term Incentive Plan, as amended, prior to 2007. During the year ended December 31, 2017, we issued approximately 21,000 shares of common stock upon the exercise of options to purchase DCT's common stock by certain employees. There were no options granted during the years ended December 31, 2017, 2016, and 2015.

Independent Director Option Plan

Prior to October 6, 2006, we granted stock options under the Independent Director Option Plan, which we used in an effort to attract and retain qualified independent directors. No options were issued under this plan subsequent to 2006.

Stock Options Summary Table

Stock options granted under the Long-Term Incentive Plan, as amended, and the Independent Director Option Plan are amortized on a straight-line basis over the service period during which the right to exercise such options fully vests.

The following table presents total options outstanding, granted, exercised, and expired or forfeited, as well as the total options exercisable as of December 31, 2017 (number of options and intrinsic value in thousands):

	Independent Director Option Plan	Long-Term Incentive Plan(1)	Weighted Average Exercise Price Per Share	Weighted Average Fair Value of Options Granted During the Year	Weighted Average Remaining Contractual Life (Years)	Intrinsic Value
Issued and outstanding as of December 31, 2014	9	451	$ 31.78			
Granted	—	—	—	$ —		
Exercised	—	(116)	24.26			$ 1,391
Forfeited and/or expired	(5)	(9)	32.42			
Issued and outstanding as of December 31, 2015	4	326	$ 34.40			
Granted	—	—	—	$ —		
Exercised	(3)	(159)	36.67			$ 1,545
Forfeited and/or expired	(1)	(1)	44.69			
Issued and outstanding as of December 31, 2016	—	166	$ 32.09			
Granted	—	—	—	$ —		
Exercised	—	(100)	34.02			$ 1,816
Forfeited and/or expired	—	(19)	45.84			
Issued and outstanding as of December 31, 2017	—	47	$ 22.33		1.6	$ 1,713
Exercisable as of December 31, 2017	—	47	$ 22.33		1.6	$ 1,713

(1) During the year ended December 31, 2017, approximately 79,000 stock options were used to net settle taxable amounts due upon the exercise of options to purchase DCT common stock by certain employees.

Equity Compensation Expense

The following table summarizes the amount recorded in "General and administrative" expense in our Consolidated Statement of Operations for the amortization of phantom shares, restricted stock, LTIP Units and stock options (in millions):

	For the Year Ended December 31,		
	2017	2016	2015
Phantom shares	$ 0.6	$ 0.5	$ 0.5
Restricted stock	1.4	1.4	1.3
LTIP Units	5.5	5.2	8.8
Stock options	—	—	—
Total equity compensation expense	7.5	7.1	10.6
Less: Amount capitalized due to development and leasing activities	(1.5)	(1.4)	(1.6)
Net equity compensation	$ 6.0	$ 5.7	$ 9.0

The following table summarizes the remaining unrecognized expense and remaining period over which we expect to amortize the expense as of December 31, 2017, related to phantom shares, restricted stock, LTIP Units and stock options (dollars in millions):

	Unrecognized Expense as of December 31, 2017	Remaining Period to Recognize Expense
Phantom shares	$ 0.3	6 months
Restricted stock	$ 2.3	2.6 years
LTIP Units	$ 9.3	2.3 years
Stock options	$ 0.0	N/A

Note 12 – Related Party Transactions

8th and Vineyard Consolidated Joint Venture

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

As of December 31, 2015, we completed the construction and disposition of five buildings and 0.8 acres of land in the joint venture to third-parties resulting in the disposition of all of the joint venture's assets. The joint venture has liquidated the partnership as of December 31, 2016. We received a preferred return on our capital contributions of approximately $3.0 million and Iowa Investments, LLC received approximately $3.8 million which was recorded as non-controlling interest in our Consolidated Statement of Operations during 2016.

Southern California Consolidated Ventures

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

Note 13 – Income and Other Taxes

We operate and expect to continue to operate in a manner to meet all the requirements to qualify for REIT status. We have made our REIT election under Section 856 of the Code for the taxable year ended December 31, 2003 and have not revoked such election. In order for a former C corporation to elect to be a REIT, it must distribute 100% of its C corporation earnings and profits and agree to be subject to federal tax at the corporate level to the extent of any subsequently recognized built-in gains within a 10 year period. We did not have any built-in gains at the time of our conversion to REIT status. As a REIT, we generally will not be subject to federal income taxation at the corporate level to the extent we annually distribute 100% of our REIT taxable income, as defined under the Code, to our stockholders and satisfy other requirements. To continue to qualify as a REIT for federal tax purposes, we must distribute at least 90% of our REIT taxable income annually.

Enacted Changes in Tax Laws

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted with an effective date of January 1, 2018. The TCJA makes major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the relevant changes made by the TCJA are permanently reducing the generally applicable corporate statutory tax rate from 35% to 21% and eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility). As a result of the reduction in the corporate statutory rate and in accordance with ASC 740, we re-measured our deferred tax accounts as of the enactment date using the new federal statutory tax rate, which resulted in a one-time non-cash adjustment that decreased our deferred tax asset balance by $2.0 million with a corresponding increase to income tax expense.

Summary of Current and Deferred Income Taxes

Components of the provision (benefit) for income taxes were as follows (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Income tax expense (benefit)			
Current:			
Federal	$ —	$ —	$ (62)
State	538	678	556
Total current tax expense (benefit)	$ 538	$ 678	$ 494
Deferred:			
2017 Tax Cuts and Jobs Act	$ 1,970	$ —	$ —
Federal	(211)	(55)	127
State	(30)	(32)	115
Total deferred tax expense (benefit)	$ 1,729	$ (87)	$ 242
Total income tax expense	$ 2,267	$ 591	$ 736

Deferred Income Taxes

Deferred income taxes represent the tax effect of temporary differences between the book and tax basis of assets and liabilities. As of December 31, 2017, we had recorded a $0.7 million deferred tax asset, net of valuation allowance of $2.2 million, included in the Consolidated Balance Sheets in "Other assets, net," and a $0.6 million deferred tax liability, included in the Consolidated Balance Sheets in "Other liabilities," for federal and state income taxes on our taxable REIT subsidiaries. As of December 31, 2016, we had recorded $2.6 million of deferred tax asset, net of valuation allowance of $1.6 million and a $0.8 million deferred tax liability for federal and state income taxes on our taxable REIT subsidiaries.

During the years ended December 31, 2017, 2016, and 2015 $1.7 million of deferred income tax expense, $0.1 million of deferred income tax benefit and $0.2 million of deferred income tax expense, respectively, is included in "Income tax expense and other taxes" in our Consolidated Statements of Operations. During the year ended December 31, 2015, $0.6 million of tax benefit is included in "Development profit, net of taxes" in our Consolidated Statements of Operations. Deferred tax assets (liabilities) were as follows (in thousands):

	As of December 31,	
	2017	2016
Deferred taxes:		
Depreciation and amortization	$ 1,498	$ 2,055
Section 163(j) interest limitations	809	1,390
Basis difference – investments in unconsolidated joint ventures	55	66
Net operating loss carryforwards	371	530
Other	201	175
Total deferred tax assets	$ 2,934	$ 4,216
Valuation allowance	(2,248)	(1,613)
Net deferred income tax assets	$ 686	$ 2,603
Basis difference – investment in properties	$ (356)	$ (509)
Basis difference – straight-line rent	(219)	(255)
Total deferred tax liabilities	$ (575)	$ (764)
Net deferred taxes	$ 111	$ 1,839

Note 14 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income ("NOI") aggregated by segment to be the appropriate way to analyze performance.

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

	December 31, 2017	December 31, 2016	December 31, 2015
Segments:			
East assets	$ 1,125,085	$ 1,076,647	$ 1,034,511
Central assets	1,187,663	1,098,489	1,090,639
West assets	1,582,436	1,502,245	1,364,117
Total segment net assets	3,895,184	3,677,381	3,489,267
Non-segment assets:			
Non-segment cash and cash equivalents	10,522	10,286	18,412
Other non-segment assets[1]	104,966	120,475	124,676
Total assets	$ 4,010,672	$ 3,808,142	$ 3,632,355

(1) Other non-segment assets primarily consist of investments in and advances to unconsolidated joint ventures, deferred loan costs, other receivables and other assets.

The following table presents the rental revenues of our segments and a reconciliation of our segment rental revenues to our reported consolidated total revenues (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
East	$ 127,257	$ 120,437	$ 106,350
Central	137,654	128,964	130,791
West	158,115	141,959	115,950
Rental revenues	423,026	391,360	353,091
Institutional capital management and other fees	1,442	1,416	1,606
Total revenues	$ 424,468	$ 392,776	$ 354,697

The following table presents a reconciliation of our reported "Net income attributable to common stockholders" to our property NOI and property NOI of our segments (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Net income attributable to common stockholders	$ 103,494	$ 93,060	$ 94,048
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	3,879	4,052	4,508
Net income attributable to OP Unitholders	$ 107,373	$ 97,112	$ 98,556
Net income attributable to noncontrolling interests of the Operating Partnership	1,103	924	4,409
Institutional capital management and other fees	(1,442)	(1,416)	(1,606)
Gain on dispositions of real estate interests	(47,126)	(49,895)	(77,871)
Real estate related depreciation and amortization	168,245	161,334	156,010
Casualty gain	(274)	(2,753)	(414)
Development profit, net of taxes	—	—	(2,627)
General and administrative	28,994	29,280	34,577
Impairment losses	283	—	2,285
Equity in earnings of unconsolidated joint ventures, net	(6,394)	(4,118)	(7,273)
Interest expense	66,054	64,035	54,055
Interest and other (income) expense	5	(551)	40
Impairment loss on land	938	—	—
Income tax expense and other taxes	2,267	591	736
Property NOI[1]	$ 320,026	$ 294,543	$ 260,877
East	$ 98,893	$ 93,811	$ 80,231
Central	98,546	90,665	92,099
West	122,587	110,067	88,547
Property NOI[1]	$ 320,026	$ 294,543	$ 260,877

(1) Property NOI is defined as rental revenues, which includes expense reimbursements, less rental expenses and real estate taxes, and excludes institutional capital management fees, depreciation, amortization, casualty and involuntary conversion gain (loss), development profit, net of taxes, gain on disposition of real estate interests, impairment, general and administrative expenses, equity in earnings (loss) of unconsolidated joint ventures, interest expense, interest and other income and income tax benefit (expense) and other taxes, and net income attributable to noncontrolling interests. We consider property NOI to be an appropriate supplemental performance measure because property NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the properties such as amortization, depreciation, impairment, interest expense, interest and other income, income tax expense and other taxes and general and administrative expenses. However, property NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our property NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating property NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

Note 15 – Assets Held for Sale

Assets Held for Sale

As of December 31, 2017, three properties in our East operating segment and two properties in our West operating segment were classified as held for sale and recorded at carrying amounts in our Consolidated Balance Sheets, as this was less than fair value less costs to sell. We completed the sale of these properties in January 2018.

Note 16 – Quarterly Results (Unaudited)

DCT

The following tables present selected unaudited quarterly financial data for each quarter during the years ended December 31, 2017 and 2016 (in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2017
Total revenues	$ 105,896	$ 104,521	$ 105,180	$ 108,871	$ 424,468
Total operating expenses	$ 74,755	$ 74,023	$ 74,771	$ 76,699	$ 300,248
Operating income	$ 31,141	$ 30,498	$ 30,409	$ 32,172	$ 124,220
Consolidated net income of DCT Industrial Trust Inc.	$ 15,789	$ 43,492	$ 26,980	$ 22,215	$ 108,476
Net income attributable to common stockholders	$ 14,959	$ 41,634	$ 25,781	$ 21,120	$ 103,494
Distributed and undistributed earnings allocated to participating securities	$ (161)	$ (162)	$ (159)	$ (183)	$ (665)
Adjusted net income attributable to common stockholders	$ 14,798	$ 41,472	$ 25,622	$ 20,937	$ 102,829
Net earnings per common share:(1)					
Basic	$ 0.16	$ 0.45	$ 0.28	$ 0.22	$ 1.11
Diluted	$ 0.16	$ 0.45	$ 0.28	$ 0.22	$ 1.11
Common shares outstanding:					
Basic	91,751	92,307	92,981	93,238	92,574
Diluted	91,884	92,429	93,078	93,338	92,688

	For the Quarter Ended				For the Year Ended
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
Total revenues	$ 94,370	$ 95,902	$ 100,274	$ 102,230	$ 392,776
Total operating expenses	$ 70,982	$ 71,461	$ 69,072	$ 73,163	$ 284,678
Operating income	$ 23,388	$ 24,441	$ 31,202	$ 29,067	$ 108,098
Consolidated net income of DCT Industrial Trust Inc.	$ 38,346	$ 22,572	$ 16,389	$ 20,729	$ 98,036
Net income attributable to common stockholders	$ 36,391	$ 21,418	$ 15,560	$ 19,691	$ 93,060
Distributed and undistributed earnings allocated to participating securities	$ (228)	$ (106)	$ (163)	$ (172)	$ (669)
Adjusted net income attributable to common stockholders	$ 36,163	$ 21,312	$ 15,397	$ 19,519	$ 92,391
Net earnings per common share:(1)					
Basic	$ 0.41	$ 0.24	$ 0.17	$ 0.21	$ 1.03
Diluted	$ 0.41	$ 0.24	$ 0.17	$ 0.21	$ 1.03
Common shares outstanding:					
Basic	88,384	89,748	90,250	91,069	89,867
Diluted	88,750	90,184	90,723	91,185	89,982

(See footnote definition on next page)

Operating Partnership

The following tables present selected unaudited quarterly financial data for each quarter during the years ended December 31, 2017 and 2016 (in thousands except per share information):

	For the Quarter Ended				For the Year Ended
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	December 31, 2017
Total revenues	$ 105,896	$ 104,521	$ 105,180	$ 108,871	$ 424,468
Total operating expenses	$ 74,755	$ 74,023	$ 74,771	$ 76,699	$ 300,248
Operating income	$ 31,141	$ 30,498	$ 30,409	$ 32,172	$ 124,220
Consolidated net income of DCT Industrial Operating Partnership LP	$ 15,789	$ 43,492	$ 26,980	$ 22,215	$ 108,476
Net income attributable to OP Unitholders	$ 15,556	$ 43,245	$ 26,718	$ 21,854	$ 107,373
Distributed and undistributed earnings allocated to participating securities	$ (161)	$ (162)	$ (159)	$ (183)	$ (665)
Adjusted net income attributable to OP Unitholders	$ 15,395	$ 43,083	$ 26,559	$ 21,671	$ 106,708
Net earnings per OP Unit:[1]					
Basic	$ 0.16	$ 0.45	$ 0.28	$ 0.22	$ 1.11
Diluted	$ 0.16	$ 0.45	$ 0.28	$ 0.22	$ 1.11
OP units outstanding:					
Basic	95,416	95,827	96,377	96,542	96,044
Diluted	95,549	95,949	96,474	96,642	96,158

	For the Quarter Ended				For the Year Ended
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	December 31, 2016
Total revenues	$ 94,370	$ 95,902	$ 100,274	$ 102,230	$ 392,776
Total operating expenses	$ 70,982	$ 71,461	$ 69,072	$ 73,163	$ 284,678
Operating income	$ 23,388	$ 24,441	$ 31,202	$ 29,067	$ 108,098
Consolidated net income of DCT Industrial Operating Partnership LP	$ 38,346	$ 22,572	$ 16,389	$ 20,729	$ 98,036
Net income attributable to OP Unitholders	$ 38,135	$ 22,360	$ 16,174	$ 20,443	$ 97,112
Distributed and undistributed earnings allocated to participating securities	$ (228)	$ (106)	$ (163)	$ (172)	$ (669)
Adjusted net income attributable to OP Unitholders	$ 37,907	$ 22,254	$ 16,011	$ 20,271	$ 96,443
Net earnings per OP Unit:[1]					
Basic	$ 0.41	$ 0.24	$ 0.17	$ 0.21	$ 1.03
Diluted	$ 0.41	$ 0.24	$ 0.17	$ 0.21	$ 1.03
OP units outstanding:					
Basic	92,620	93,787	94,047	94,650	93,779
Diluted	92,986	94,223	94,520	94,766	93,894

(1) Quarterly amounts for earnings per common share and OP unit may not total to annual amounts due to rounding and changes in the number of weighted common shares and OP units outstanding included in the calculation of diluted common shares and OP units.

Note 17 – Subsequent Events

GAAP requires an entity to disclose events that occur after the balance sheet date but before financial statements are issued or are available to be issued ("subsequent events") as well as the date through which an entity has evaluated subsequent events. There are two types of subsequent events. The first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements, ("recognized subsequent events"). The second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date ("nonrecognized subsequent events"). No significant recognized or nonrecognized subsequent events were noted.

Exhibit 99.5

Unaudited Consolidated Financial Statements of DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP and the notes thereto as of and for the six months ended June 30, 2018

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except share information)

	June 30, 2018	December 31, 2017
ASSETS	(unaudited)	
Land	$ 1,216,121	$ 1,162,908
Buildings and improvements	3,385,873	3,284,976
Intangible lease assets	57,869	65,919
Construction in progress	173,139	149,994
Total investment in properties	4,833,002	4,663,797
Less accumulated depreciation and amortization	(961,173)	(919,186)
Net investment in properties	3,871,829	3,744,611
Investments in and advances to unconsolidated joint ventures	73,031	72,231
Net investment in real estate	3,944,860	3,816,842
Cash and cash equivalents	19,843	10,522
Restricted cash	15,813	14,768
Straight-line rent and other receivables, net of allowance for doubtful accounts of $230 and $425, respectively	82,726	80,119
Other assets, net	19,904	25,740
Assets held for sale	—	62,681
Total assets	$ 4,083,146	$ 4,010,672
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 106,714	$ 115,150
Distributions payable	35,184	35,070
Tenant prepaids and security deposits	36,654	34,946
Other liabilities	36,669	34,172
Intangible lease liabilities, net	16,985	18,482
Line of credit	324,000	234,000
Senior unsecured notes	1,287,426	1,328,225
Mortgage notes	163,330	160,129
Liabilities related to assets held for sale	—	1,035
Total liabilities	2,006,962	1,961,209
Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Shares-in-trust, $0.01 par value, 100,000,000 shares authorized, none outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, 94,113,116 and 93,707,264 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	941	937
Additional paid-in capital	3,000,086	2,985,122
Distributions in excess of earnings	(1,015,254)	(1,022,605)
Accumulated other comprehensive loss	(5,036)	(11,893)
Total stockholders' equity	1,980,737	1,951,561
Noncontrolling interests	95,447	97,902
Total equity	2,076,184	2,049,463
Total liabilities and equity	$ 4,083,146	$ 4,010,672

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited, in thousands, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Rental revenues	$ 109,781	$ 104,217	$ 219,204	$ 209,641
Institutional capital management and other fees	288	304	672	776
Total revenues	110,069	104,521	219,876	210,417
OPERATING EXPENSES:				
Rental expenses	9,246	9,226	19,485	18,688
Real estate taxes	17,061	15,529	33,785	32,295
Real estate related depreciation and amortization	41,896	41,447	83,128	83,052
General and administrative	12,824	7,821	20,288	15,013
Casualty loss (gain)	240	—	245	(270)
Total operating expenses	81,267	74,023	156,931	148,778
Operating income	28,802	30,498	62,945	61,639
OTHER INCOME (EXPENSE):				
Equity in earnings of unconsolidated joint ventures, net	1,089	2,737	2,166	4,253
Gain on dispositions of real estate interests	11,784	28,076	43,974	28,102
Interest expense	(16,133)	(16,805)	(32,183)	(33,560)
Other expense	(114)	(7)	(80)	(12)
Impairment loss on land	—	(938)	(371)	(938)
Income tax expense and other taxes	(140)	(69)	(221)	(203)
Consolidated net income of DCT Industrial Trust Inc.	25,288	43,492	76,230	59,281
Net income attributable to noncontrolling interests	(1,172)	(1,858)	(3,291)	(2,688)
Net income attributable to common stockholders	24,116	41,634	72,939	56,593
Distributed and undistributed earnings allocated to participating securities	(191)	(162)	(408)	(323)
Adjusted net income attributable to common stockholders	$ 23,925	$ 41,472	$ 72,531	$ 56,270
NET EARNINGS PER COMMON SHARE:				
Basic	$ 0.25	$ 0.45	$ 0.77	$ 0.61
Diluted	$ 0.25	$ 0.45	$ 0.77	$ 0.61
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	94,101	92,307	93,956	92,030
Diluted	94,124	92,429	93,981	92,156
Distributions declared per common share	$ 0.36	$ 0.31	$ 0.72	$ 0.62

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated net income of DCT Industrial Trust Inc.	$ 25,288	$ 43,492	$ 76,230	$ 59,281
Other comprehensive income (loss):				
Net derivative gain (loss) on cash flow hedging instruments	1,516	(1,503)	5,171	(1,142)
Net reclassification adjustment on cash flow hedging instruments	906	1,402	2,006	2,888
Other comprehensive income (loss)	2,422	(101)	7,177	1,746
Comprehensive income	27,710	43,391	83,407	61,027
Comprehensive income attributable to noncontrolling interests	(1,278)	(1,882)	(3,611)	(2,781)
Comprehensive income attributable to common stockholders	$ 26,432	$ 41,509	$ 79,796	$ 58,246

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
(unaudited, in thousands)

	Total Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehen-sive Loss	Non-controlling Interests
Balance at December 31, 2017	$ 2,049,463	93,707	$ 937	$ 2,985,122	$ (1,022,605)	$ (11,893)	$ 97,902
Cumulative effect of revenue accounting change (Note 2)	2,256	—	—	—	2,256	—	—
Net income	76,230	—	—	—	72,939	—	3,291
Other comprehensive income	7,177	—	—	—	—	6,857	320
Issuance of common stock, net of offering costs	10,769	191	2	10,767	—	—	—
Issuance of common stock, stock-based compensation plans	(764)	36	—	(764)	—	—	—
Amortization of stock-based compensation	3,852	—	—	880	—	—	2,972
Distributions to common stockholders and noncontrolling interests	(71,588)	—	—	—	(67,844)	—	(3,744)
Capital contributions from noncontrolling interests	873	—	—	—	—	—	873
Redemptions of noncontrolling interests	(2,084)	179	2	4,081	—	—	(6,167)
Balance at June 30, 2018	$ 2,076,184	94,113	$ 941	$ 3,000,086	$ (1,015,254)	$ (5,036)	$ 95,447

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

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2018	**2017**
OPERATING ACTIVITIES:		
Consolidated net income of DCT Industrial Trust Inc.	**$ 76,230**	**$ 59,281**
Adjustments to reconcile consolidated net income of DCT Industrial Trust Inc. to net cash provided by operating activities:		
Real estate related depreciation and amortization	83,128	83,052
Gain on dispositions of real estate interests	(43,974)	(28,102)
Distributions of earnings from unconsolidated joint ventures	3,353	22,717
Equity in earnings of unconsolidated joint ventures, net	(2,166)	(4,253)
Impairment loss on land	371	938
Stock-based compensation	3,198	3,004
Casualty loss (gain)	245	(270)
Straight-line rent	(2,553)	(4,214)
Other	2,286	2,515
Changes in operating assets and liabilities:		
Other receivables and other assets	4,234	8,395
Accounts payable, accrued expenses and other liabilities	(5,179)	(3,599)
Net cash provided by operating activities	**119,173**	**139,464**
INVESTING ACTIVITIES:		
Real estate acquisitions	(78,157)	(35,555)
Capital expenditures and development activities	(152,827)	(97,532)
Proceeds from dispositions of real estate investments	133,619	52,868
Investments in unconsolidated joint ventures	(622)	(11,891)
Proceeds from casualties	—	300
Distributions of investments in unconsolidated joint ventures	773	3,546
Other investing activities	(733)	(3,278)
Net cash used in investing activities	**(97,947)**	**(91,542)**
FINANCING ACTIVITIES:		
Proceeds from senior unsecured revolving line of credit	145,000	189,000
Repayments of senior unsecured revolving line of credit	(55,000)	(131,000)
Proceeds from senior unsecured notes	—	51,940
Repayments of senior unsecured notes	(41,500)	(76,000)
Proceeds from mortgage notes	7,113	—
Principal payments on mortgage notes	(3,417)	(37,770)
Net settlement on issuance of stock-based compensation awards	(764)	(1,452)
Proceeds from issuance of common stock	10,963	60,694
Offering costs for issuance of common stock and OP Units	(194)	(1,199)
Redemption of noncontrolling interests	(2,084)	(4,280)
Dividends to common stockholders	(67,700)	(56,908)
Distributions paid to noncontrolling interests	(3,774)	(2,868)
Contributions from noncontrolling interests	873	532
Other financing activity	(365)	(698)
Net cash used in financing activities	**(10,849)**	**(10,009)**
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**10,377**	**37,913**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	**25,845**	**18,074**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	**$ 36,222**	**$ 55,987**
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 29,190	$ 30,616
Supplemental Disclosures of Non-Cash Activities		
Retirement of fully depreciated and amortized assets	$ 20,651	$ 15,660
Redemptions of OP Units settled in shares of common stock	$ 4,083	$ 2,380
Increase in dividends declared and not paid	$ (114)	$ (410)
Contributions from noncontrolling interests	$ —	$ 745
Decrease in capital expenditures accruals	$ (901)	$ (8,301)
Capitalized stock compensation	$ 654	$ 687

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except unit information)

	June 30, 2018	December 31, 2017
ASSETS	(unaudited)	
Land	$ 1,216,121	$ 1,162,908
Buildings and improvements	3,385,873	3,284,976
Intangible lease assets	57,869	65,919
Construction in progress	173,139	149,994
Total investment in properties	4,833,002	4,663,797
Less accumulated depreciation and amortization	(961,173)	(919,186)
Net investment in properties	3,871,829	3,744,611
Investments in and advances to unconsolidated joint ventures	73,031	72,231
Net investment in real estate	3,944,860	3,816,842
Cash and cash equivalents	19,843	10,522
Restricted cash	15,813	14,768
Straight-line rent and other receivables, net of allowance for doubtful accounts of $230 and $425, respectively	82,726	80,119
Other assets, net	19,904	25,740
Assets held for sale	—	62,681
Total assets	$ 4,083,146	$ 4,010,672
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable and accrued expenses	$ 106,714	$ 115,150
Distributions payable	35,184	35,070
Tenant prepaids and security deposits	36,654	34,946
Other liabilities	36,669	34,172
Intangible lease liabilities, net	16,985	18,482
Line of credit	324,000	234,000
Senior unsecured notes	1,287,426	1,328,225
Mortgage notes	163,330	160,129
Liabilities related to assets held for sale	—	1,035
Total liabilities	2,006,962	1,961,209
Partners' Capital:		
General Partner:		
OP Units, 973,093 and 969,565 issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	20,657	20,467
Limited Partners:		
OP Units, 96,336,213 and 95,986,961 issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	2,045,062	2,026,234
Accumulated other comprehensive loss	(5,205)	(12,303)
Total partners' capital	2,060,514	2,034,398
Noncontrolling interests	15,670	15,065
Total capital	2,076,184	2,049,463
Total liabilities and capital	$ 4,083,146	$ 4,010,672

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited, in thousands, except per unit information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
REVENUES:				
Rental revenues	$ 109,781	$ 104,217	$ 219,204	$ 209,641
Institutional capital management and other fees	288	304	672	776
Total revenues	110,069	104,521	219,876	210,417
OPERATING EXPENSES:				
Rental expenses	9,246	9,226	19,485	18,688
Real estate taxes	17,061	15,529	33,785	32,295
Real estate related depreciation and amortization	41,896	41,447	83,128	83,052
General and administrative	12,824	7,821	20,288	15,013
Casualty loss (gain)	240	—	245	(270)
Total operating expenses	81,267	74,023	156,931	148,778
Operating income	28,802	30,498	62,945	61,639
OTHER INCOME (EXPENSE):				
Equity in earnings of unconsolidated joint ventures, net	1,089	2,737	2,166	4,253
Gain on dispositions of real estate interests	11,784	28,076	43,974	28,102
Interest expense	(16,133)	(16,805)	(32,183)	(33,560)
Other expense	(114)	(7)	(80)	(12)
Impairment loss on land	—	(938)	(371)	(938)
Income tax expense and other taxes	(140)	(69)	(221)	(203)
Consolidated net income of DCT Industrial Operating Partnership LP	25,288	43,492	76,230	59,281
Net income attributable to noncontrolling interests	(366)	(247)	(754)	(480)
Net income attributable to OP Unitholders	24,922	43,245	75,476	58,801
Distributed and undistributed earnings allocated to participating securities	(191)	(162)	(408)	(323)
Adjusted net income attributable to OP Unitholders	$ 24,731	$ 43,083	$ 75,068	$ 58,478
NET EARNINGS PER OP UNIT:				
Basic	$ 0.25	$ 0.45	$ 0.77	$ 0.61
Diluted	$ 0.25	$ 0.45	$ 0.77	$ 0.61
WEIGHTED AVERAGE OP UNITS OUTSTANDING:				
Basic	97,311	95,827	97,223	95,622
Diluted	97,334	95,949	97,248	95,748
Distributions declared per OP Unit	$ 0.36	$ 0.31	$ 0.72	$ 0.62

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated net income of DCT Industrial Operating Partnership LP	$ 25,288	$ 43,492	$ 76,230	$ 59,281
Other comprehensive income (loss):				
Net derivative gain (loss) on cash flow hedging instruments	1,516	(1,503)	5,171	(1,142)
Net reclassification adjustment on cash flow hedging instruments	906	1,402	2,006	2,888
Other comprehensive income (loss)	2,422	(101)	7,177	1,746
Comprehensive income	27,710	43,391	83,407	61,027
Comprehensive income attributable to noncontrolling interests	(389)	(236)	(833)	(483)
Comprehensive income attributable to OP Unitholders	$ 27,321	$ 43,155	$ 82,574	$ 60,544

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statement of Changes in Capital
(unaudited, in thousands)

	Total Capital	General Partner OP Units Units	General Partner OP Units Amount	Limited Partners OP Units Units	Limited Partners OP Units Amount	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at December 31, 2017	$2,049,463	970	$20,467	95,987	$2,026,234	$ (12,303)	$ 15,065
Cumulative effect of revenue accounting change (Note 2)	2,256	—	23	—	2,233	—	—
Net income	76,230	—	755	—	74,721	—	754
Other comprehensive income	7,177	—	—	—	—	7,098	79
Issuance of OP Units, net of selling costs	10,769	—	—	191	10,769	—	—
Issuance of OP Units, share-based compensation plans	(764)	—	—	198	(764)	—	—
Amortization of share-based compensation	3,852	—	—	—	3,852	—	—
Distributions to OP Unitholders and noncontrolling interests	(71,588)	—	(704)	—	(69,725)	—	(1,159)
Capital contributions from noncontrolling interests	873	—	—	—	—	—	873
Redemption of limited partner OP Units, net	(2,084)	—	—	(37)	(2,142)	—	58
Conversion of limited partner OP Units to OP Units of general partner	—	3	116	(3)	(116)	—	—
Balance at June 30, 2018	$2,076,184	973	$20,657	96,336	$2,045,062	$ (5,205)	$ 15,670

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

DCT INDUSTRIAL OPERATING PARTNERSHIP LP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2018	**2017**
OPERATING ACTIVITIES:		
Consolidated net income of DCT Industrial Operating Partnership LP	**$ 76,230**	**$ 59,281**
Adjustments to reconcile consolidated net income of DCT Industrial Operating Partnership LP to net cash provided by operating activities:		
Real estate related depreciation and amortization	83,128	83,052
Gain on dispositions of real estate interests	(43,974)	(28,102)
Distributions of earnings from unconsolidated joint ventures	3,353	22,717
Equity in earnings of unconsolidated joint ventures, net	(2,166)	(4,253)
Impairment loss on land	371	938
Share-based compensation	3,198	3,004
Casualty loss (gain)	245	(270)
Straight-line rent	(2,553)	(4,214)
Other	2,286	2,515
Changes in operating assets and liabilities:		
Other receivables and other assets	4,234	8,395
Accounts payable, accrued expenses and other liabilities	(5,179)	(3,599)
Net cash provided by operating activities	**119,173**	**139,464**
INVESTING ACTIVITIES:		
Real estate acquisitions	(78,157)	(35,555)
Capital expenditures and development activities	(152,827)	(97,532)
Proceeds from dispositions of real estate investments	133,619	52,868
Investments in unconsolidated joint ventures	(622)	(11,891)
Proceeds from casualties	—	300
Distributions of investments in unconsolidated joint ventures	773	3,546
Other investing activities	(733)	(3,278)
Net cash used in investing activities	**(97,947)**	**(91,542)**
FINANCING ACTIVITIES:		
Proceeds from senior unsecured revolving line of credit	145,000	189,000
Repayments of senior unsecured revolving line of credit	(55,000)	(131,000)
Proceeds from senior unsecured notes	—	51,940
Repayments of senior unsecured notes	(41,500)	(76,000)
Proceeds from mortgage notes	7,113	—
Principal payments on mortgage notes	(3,417)	(37,770)
Net settlement on issuance of share-based compensation awards	(764)	(1,452)
Proceeds from the issuance of OP Units in exchange for contributions from the REIT, net	10,769	59,495
OP Unit redemptions	(2,084)	(4,280)
Distributions paid on OP Units	(70,315)	(59,387)
Distributions paid to noncontrolling interests	(1,159)	(389)
Contributions from noncontrolling interests	873	532
Other financing activity	(365)	(698)
Net cash used in financing activities	**(10,849)**	**(10,009)**
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**10,377**	**37,913**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	**25,845**	**18,074**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	**$ 36,222**	**$ 55,987**
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 29,190	$ 30,616
Supplemental Disclosures of Non-Cash Activities		
Retirement of fully depreciated and amortized assets	$ 20,651	$ 15,660
Contributions from noncontrolling interests	$ —	$ 745
Decrease in capital expenditures accruals	$ (901)	$ (8,301)
Capitalized stock compensation	$ 654	$ 687

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

Note 1 – Organization

DCT Industrial Trust Inc. is a leading industrial real estate company specializing in the ownership, acquisition, development, leasing and management of bulk-distribution and light-industrial properties located in high-demand distribution markets in the United States. DCT's actively managed portfolio is strategically located near population centers and well-positioned to take advantage of market dynamics. As used herein, the terms “Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its subsidiaries, including its operating partnership, DCT Industrial Operating Partnership LP. When we use the term “DCT” or “DCT Industrial,” we are referring to DCT Industrial Trust Inc. by itself, and not including any of its subsidiaries, and when we use the term “Operating Partnership,” we are referring to DCT Industrial Operating Partnership LP by itself, and not including any of its subsidiaries.

DCT was formed as a Maryland corporation in April 2002 and has elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We are structured as an umbrella partnership REIT under which substantially all our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP, a Delaware limited partnership, for which DCT is the sole general partner. DCT owns properties through the Operating Partnership and its subsidiaries. As of June 30, 2018, DCT owned approximately 96.7% of the outstanding equity interests in the Operating Partnership.

As of June 30, 2018, the Company owned interests in approximately 74.0 million square feet of properties leased to approximately 830 customers, including:

- 63.5 million square feet comprising 388 consolidated operating properties that were 96.9% occupied;
- 1.7 million square feet comprising seven consolidated properties developed by DCT which are shell-construction complete and in lease-up;
- 0.1 million square feet comprising one consolidated property under redevelopment;
- 1.1 million square feet comprising five consolidated value-add acquisitions; and
- 7.6 million square feet comprising 21 unconsolidated properties that were 99.0% occupied and which we operated on behalf of two unconsolidated joint ventures.

In addition, the Company has 17 projects under construction and 15 projects in pre-development. See “Note 3 – Investment in Properties” for further details related to our development activity.

Note 2 – Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited Consolidated Financial Statements include all adjustments, consisting of normal recurring items, necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with our audited Consolidated Financial Statements as of December 31, 2017 and related notes thereto included in our Form 10-K filed on February 16, 2018.

Basis of Presentation and Principles of Consolidation

The accompanying Consolidated Financial Statements include the financial position, results of operations and cash flows of the Company, the Operating Partnership, their wholly-owned qualified REIT subsidiaries and taxable REIT subsidiaries, and their consolidated joint ventures in which they have a controlling interest.

Equity interests in the Operating Partnership held by entities other than DCT are classified within partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in DCT's financial statements. Equity interests in entities consolidated into the Operating Partnership that are held by third parties are reflected in our accompanying balance sheets as noncontrolling interests. We also have noncontrolling partnership interests in unconsolidated institutional capital management and other joint ventures, which are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated in consolidation.

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

We analyze our joint ventures in accordance with GAAP to determine whether they are VIEs and, if so, whether we are the primary beneficiary. Our judgment with respect to our level of influence or control over an entity and whether we are the primary beneficiary of a VIE involves consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors (or equivalent body), the size of our investment (including loans), our obligation or right to absorb its losses or receive its benefits and our ability to participate in major decisions.

If a joint venture does not meet the characteristics of a VIE, we apply the voting interest model to determine whether the entity should be consolidated. Our ability to assess our influence or control over an entity affects the presentation of these investments in the Consolidated Financial Statements and our financial position and results of operations.

We concluded our Operating Partnership meets the criteria of a VIE as the Operating Partnership's limited partners do not have the right to remove the general partner and do not have substantive participating rights in the operations of the Operating Partnership. Under the Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Partnership Agreement"), DCT is the primary beneficiary of the Operating Partnership as we have the obligation to absorb losses and receive benefits, and the power to control substantially all the activities which most significantly impact the economic performance of the Operating Partnership. Accordingly, the Operating Partnership is consolidated within DCT's financial statements.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less. We have not realized any losses in our cash and cash equivalents and believe that these short-term instruments are not exposed to any significant credit risk. Restricted cash consists of escrow deposits held by lenders for real estate taxes, insurance and capital replacement reserves, security deposits and amounts held by intermediary agents to be used for tax-deferred, like-kind exchange transactions. As of June 30, 2018 and June 30, 2017, approximately $14.0 million and $36.3 million, respectively, of restricted cash was included in "Cash, Cash Equivalents and Restricted Cash" in our Consolidated Statements of Cash Flows related to tax deferred, like-kind exchange transactions.

The following table presents a reconciliation of cash, cash equivalents and restricted cash reported within our Consolidated Balance Sheets to amounts reported within our Consolidated Statements of Cash Flows (in thousands):

	As of June 30,	
	2018	2017
Cash and cash equivalents	$ 19,843	$ 17,229
Restricted cash	15,813	38,339
Restricted cash included in Other assets, net (1)	566	419
Total cash, cash equivalents and restricted cash	$ 36,222	$ 55,987

(1) Includes cash balances presented in assets held for sale in our Consolidated Balance Sheets.

Revenue Recognition

At the inception of a new lease arrangement, including new leases that arise from amendments, we assess the terms and conditions to determine the proper lease classification. A lease arrangement is classified as an operating lease if none of the following criteria are met: (i) transfer of ownership to the lessee, (ii) lessee has a bargain purchase option during or at the end of the lease term, (iii) the lease term is equal to 75% or more of the underlying property's economic life, or (iv) the present value of future minimum lease payments (excluding executory costs) are equal to 90% or more of the excess estimated fair value (over retained investment tax credits) of the leased building. Generally, our leases do not meet any of the listed criteria above and are classified as operating leases.

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments change during the term of the lease. Accordingly, receivables from tenants that we expect to collect over the remaining lease term are recorded on the balance sheet as straight-line rent receivables. The total increase to "Rental revenues" due to straight-line rent adjustments was approximately $0.9 million and $2.6 million for the three and six months ended June 30, 2018, respectively, and approximately and $0.8 million and $4.2 million for the three and six months ended June 30, 2017, respectively.

If the lease provides for tenant improvements, we determine whether the tenant improvements are owned by the tenant or us. When we are the owner of the tenant improvements, the tenant generally is not considered to have taken physical possession or have control of the leased asset until the tenant improvements are substantially complete. When we are the owner of the tenant improvements, any tenant improvements funded by the tenant are treated as lease payments which are deferred and amortized into rental revenues over the lease term. When the tenant is the owner of the tenant improvements, we record any tenant improvement allowance funded as a lease incentive and amortize it as a reduction of rental revenue over the lease term. Tenant recovery income includes reimbursements due from tenants pursuant to their leases for real estate taxes, insurance, repairs and maintenance and other recoverable property operating expenses and is recognized as "Rental revenues" during the period the related expenses are incurred. The reimbursements are recognized and presented on a gross basis, as the Company generally has control for fulfillment of services and other costs that are reimbursable, with respect to purchasing goods and services from third party suppliers. Tenant recovery income recognized as "Rental revenues" was approximately $26.6 million and $53.5 million for the three and six months ended June 30, 2018, respectively, and approximately $24.7 million and $50.6 million for the three and six months ended June 30, 2017. We maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If a customer fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances.

In connection with property acquisitions qualifying as asset acquisitions or business combinations, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible lease asset or liability and amortized to “Rental revenues” over the reasonably assured term of the related leases. We consider a reasonably assured term to be the measurement period equal to the remaining non-cancelable term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. The unamortized balances of these assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue line items in our Consolidated Statements of Operations on a straight-line basis over the estimated remaining contractual lease term. The total net impact to “Rental revenues” due to the amortization of above and below market rents was an increase of approximately $0.9 million and $1.6 million for the three and six months ended June 30, 2018, respectively, and approximately $0.7 million and $1.4 million for the three and six months ended June 30, 2017, respectively.

Early lease termination fees are recorded in “Rental revenues” on a straight-line basis over the estimated remaining contractual lease term or upon collection if collectability is not assured. Early lease termination fees were approximately $0.4 million and $0.8 million for the three and six months ended June 30, 2018, respectively, and approximately $0.4 million and $0.9 million for the three and six months ended June 30, 2017, respectively.

We earn revenues from asset management fees, acquisition fees, property management fees and fees for other services pursuant to joint venture and other third-party agreements. These are included in our Consolidated Statements of Operations in “Institutional capital management and other fees.” We recognize revenues from asset management fees, acquisition fees, property management fees and fees for other services when the related underlying performance obligations to the customer are satisfied, which is when the services are performed.

New Accounting Standards

New Accounting Standards Adopted

In May 2014, FASB issued ASU 2014-09*Revenue from Contracts with Customers* (“ASU 2014-09”), that requires companies to recognize revenue from contracts with customers based upon the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The FASB subsequently issued additional ASUs which improve guidance and provide clarification of the new standard. The guidance is effective for fiscal years beginning after December 15, 2017, with early adoption permitted for fiscal years beginning after December 15, 2016. The Company adopted the standard effective January 1, 2018 and utilized the modified retrospective transition method.

Given the nature of our business, our primary revenue stream is from relatively short-term operating leases with tenants. Additionally, our historical property dispositions have been cash sales with no contingencies and no future involvement in the property operations. Our revenues that are under the scope of ASU 2014-09 are related to our asset management fees, acquisition fees, property management fees and fees for other services pursuant to joint venture and other third-party agreements, which are included in our Consolidated Statements of Operations in “Institutional capital management and other fees" as shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Rental revenues	$ 109,781	$ 104,217	$ 219,204	$ 209,641
Institutional capital management and other fees	288	304	672	776
Total revenues	$ 110,069	$ 104,521	$ 219,876	$ 210,417

As a result of adoption, the total impact to our financial statements in the first quarter of 2018 was a cumulative adjustment recorded as an increase of $2.3 million to "Investments in and advances to unconsolidated joint ventures" and a decrease to "Distributions in excess of earnings" related to the de-recognition of deferred gains related to a previous contributions of real estate properties into our joint ventures. No other material impacts to the Consolidated Financial Statements and related disclosures or internal control environment were identified upon adoption.

Substantially all of our revenues are generated from lease rentals, which fall under the scope of the new lease accounting ASU discussed below in*New Accounting Standards Issued but not yet Adopted*. We are still evaluating the treatment of nonlease components in our leases that primarily relate tenant recovery income for such items as common area maintenance expenses, which are also under the scope of the new lease accounting ASU.

New Accounting Standards Issued but not yet Adopted

In February 2016, the FASB issued an ASU that modifies existing accounting standards for lease accounting. The new standard requires a lessee to record a lease asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. Leases in which we are the lessors will be accounted as sales-type leases, direct financing leases or operating leases. Revenue related to the lease components of a lease contract will be recognized on a straight-line basis. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2016.

Additionally, in July 2018, the FASB issued various practical expedients that impact both lessors and lessees that are also effective for fiscal years beginning after December 15, 2018, with early adoption permitted for fiscal years beginning after December 15, 2016. Specifically, the FASB issued a package of practical expedients that if adopted, must all be adopted. These expedients apply to all leases entered into prior to adoption and allow a Company to not: (1) reassess whether existing arrangements contain a lease (2) reassess lease classification and (3) re-evaluate treatment of initial direct costs. The Company expects to elect this package of practical expedients.

Also, another lessor relevant practical expedient was issued in July 2018, that allows lessors to be allowed to combine lease and associated nonlease components for accounting under the new lease standard if the timing and pattern of transfer of nonlease components match those of the related lease components and the lease is classified as operating on a stand-alone basis.

The Company, as a lessee, has a limited number of office and ground leases which will require further evaluation by the Company, but we anticipate they will be treated as operating leases, which will result in the Company recording a lease liability for our obligation for payments over the remaining lease term and an offsetting right-of-use asset in our Consolidated Balance Sheets. As disclosed in our annual Consolidated Financial Statements as of December 31, 2017 and related notes thereto included in our Form 10-K, we had $18.9 million of future noncancelable lease payments primarily related to our office and ground leases that will be required to be recorded on our Consolidated Balance Sheets. Our operating leases for which we are the lessee will generally have an expense pattern consistent with our historical recognition for operating leases. We don't anticipate the impact of the lease accounting ASU for leases in which we are the lessee to have a material impact on our Consolidated Financial Statements.

Leases in which we are the lessor will continue to be accounted for as operating leases with minimal impact on the Company's financial condition or results of operation; however, this standard may impact the timing of recognition and disclosures related to our tenant recovery income earned from leasing our consolidated operating properties. As such, we are currently evaluating the impact of nonlease components such as tenant recovery income. Additionally, the standard only allows for the capitalization of the initial direct costs that would have been incurred if the lease had not been obtained. The adoption of this guidance will impact our current policy regarding the capitalization of internal direct costs related to the successful origination of new leases and likely will reduce the amount of costs we currently capitalize for new leases. During the six months ended June 30, 2018, we capitalized $1.6 million of internal direct costs related to successful origination of new leases.

We are currently evaluating the impacts of the new lease standard for leases in which we are the lessee, which includes changing internal policies and processes with regards to the cost to obtain leases, evaluating the appropriate accounting treatment for nonlease elements in which we are the lessor and evaluating the impact on our internal controls. The standard requires a modified retrospective transition approach for all capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. In July 2018, the FASB issued additional transition relief, which allows a company to present the cumulative impacts of adoption of the lease standard on a modified retrospective approach via a cumulative-effect adjustment in opening retained earnings in the year of adoption instead of being required to restate the impacts of the new lease standard to all comparable periods presented in the year of adoption. The Company expects to adopt this standard effective January 1, 2019 using the newly issued modified retrospective transition method.

Note 3 – Investment in Properties

Our consolidated investment in properties consists of our operating portfolio, value-add acquisitions, properties under development, properties in pre-development, redevelopment properties and land held for development or other purposes. The historical cost of our investment in properties was (in thousands):

	As of June 30, 2018	As of December 31, 2017
Operating portfolio	$ 4,296,341	$ 4,249,242
Properties under development	359,835	280,492
Properties in pre-development	76,864	51,883
Properties under redevelopment[1]	10,133	9,481
Value-add acquisitions[2]	86,173	68,673
Land held[3]	3,656	4,026
Total investment in properties	4,833,002	4,663,797
Less accumulated depreciation and amortization	(961,173)	(919,186)
Net investment in properties	$ 3,871,829	$ 3,744,611

(1) Represents properties out of service while significant physical renovation of the property is underway or while the property is in lease-up subsequent to such renovation. May include properties taken out of service to change the properties' use and/or enhance its functionality.

(2) Consolidated properties that were acquired and upon acquisition met either of the following criteria:

- Occupancy of less than 75% upon acquisition; or
- Occupancy of less than 75% expected to occur due to known move-outs within 24 months of the acquisition date.

Consolidated properties that were acquired vacant or with known move-outs within 24 months of the acquisition date with the intention to have the property out of service for significant physical renovations are classified as redevelopment properties.

(3) Land held that is not intended to be improved or developed in the near future.

Acquisition Activity

During the six months ended June 30, 2018, we acquired three buildings totaling approximately 221.0 thousand square feet located in our Denver, Northern California and Seattle markets for a total purchase price of approximately $34.1 million.

Development Activity

Our properties under development include the following:

- Seven buildings in our Chicago, Dallas, Denver, Miami and Northern California markets totaling approximately 1.7 million square feet that we completed shell-construction as of June 30, 2018 with cumulative costs to date of approximately $128.0 million. These properties are 11.2% leased and occupied based on weighted average square feet as of June 30, 2018.

- Seventeen projects under construction totaling approximately 4.8 million square feet with cumulative costs to date of approximately $231.8 million.

During the six months ended June 30, 2018, we acquired approximately 143.2 acres of land for development in our Chicago, Cincinnati, New Jersey, Northern California, Pennsylvania and Southern California markets for approximately $44.6 million.

Disposition Activity

During the six months ended June 30, 2018, we sold 16 consolidated operating properties totaling approximately 2.6 million square feet from our Atlanta, Charlotte, Memphis, Northern California, Phoenix and Southern California markets to third-parties for gross proceeds of approximately $137.3 million. We recognized net gains of approximately $44.0 million on the disposition of these properties.

Impairment Loss on Land

During the six months ended June 30, 2018, the Company recognized a $0.4 million impairment loss on land held and used. Located in Reno, Nevada, the land was being held for future development. Based on the Company's intent to sell and various market estimates, we recorded an impairment to recognize the land at estimated fair value, which was primarily based on level 3 fair value inputs.

Intangible Lease Assets and Liabilities

Aggregate amortization expense for intangible lease assets recognized in connection with property acquisitions (excluding assets and liabilities related to above and below market rents; see "Note 2 – Summary of Significant Accounting Policies" for additional information) was approximately $2.5 million and $4.7 million for the three and six months ended June 30, 2018, respectively, and approximately $2.6 million and $5.4 million for the three and six months ended June 30, 2017, respectively. Our intangible lease assets and liabilities included the following (in thousands):

	As of June 30, 2018			As of December 31, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Other intangible lease assets	$ 54,811	$ (32,694)	$ 22,117	$ 62,785	$ (37,114)	$ 25,671
Above market rent	$ 3,058	$ (1,908)	$ 1,150	$ 3,134	$ (1,756)	$ 1,378
Below market rent	$ (27,556)	$ 10,571	$ (16,985)	$ (28,883)	$ 10,401	$ (18,482)

Note 4 – Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of operating and developing industrial real estate. Our investments in these joint ventures are included in "Investments in and advances to unconsolidated joint ventures" in our Consolidated Balance Sheets.

The following table summarizes our unconsolidated joint ventures (dollars in thousands):

	As of June 30, 2018		Investments in and Advances to as of	
Unconsolidated Joint Ventures	Ownership Percentage	Number of Buildings	June 30, 2018	December 31, 2017
Institutional Joint Ventures:				
DCT/SPF Industrial Operating LLC	20.0%	13	$ 38,522	$ 36,630
TRT-DCT Venture III	10.0%	—	8	220
Total Institutional Joint Ventures		13	38,530	36,850
Other:				
SCLA[(1)]	50.0%	8	34,501	35,381
Total		21	$ 73,031	$ 72,231

(1) Although we contributed 100% of the initial cash equity capital required by the venture, after return of certain preferential distributions on capital invested, profits and losses are generally split 50/50.

Guarantees

There are no lines of credit or side agreements related to, or between, our unconsolidated joint ventures and us, and there are no derivative financial instruments between our unconsolidated joint ventures and us. In addition, we do not believe we have any material exposure to financial guarantees.

Note 5 – Financial Instruments and Hedging Activities

Fair Value of Financial Instruments

As of June 30, 2018 and December 31, 2017, the fair values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximated their carrying values due to the short-term nature of settlement of these instruments. The fair values of other financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies we believe to be appropriate estimates for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates. Our estimates may differ from the actual amounts that we could realize upon disposition. The following table summarizes these financial instruments (in thousands):

	As of June 30, 2018		As of December 31, 2017	
	Carrying Amounts	Estimated Fair Value	Carrying Amounts	Estimated Fair Value
Borrowings:[1]				
Senior unsecured revolving credit facility	$ 324,000	$ 324,000	$ 234,000	$ 234,000
Fixed rate debt[2]	$ 1,325,294	$ 1,336,720	$ 1,370,421	$ 1,419,518
Variable rate debt	$ 132,113	$ 132,452	$ 125,000	$ 123,020
Interest rate contracts:				
Interest rate swap asset[3]	$ 8,729	$ 8,729	$ 3,866	$ 3,866

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

(2) The carrying amount of our fixed rate debt includes premiums and discounts and excludes deferred loan costs.

(3) The fair values of our interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash flows and the discounted expected variable cash flows based on an expectation of future interest rates derived from Level 2 observable market interest rate curves. The asset or liability is included in “Other assets, net” or “Other liabilities,” respectively, in our Consolidated Balance Sheets.

Hedging Activities

To manage interest rate risk for variable rate debt and issuances of fixed rate debt, we primarily use treasury locks and interest rate swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate increases by providing a fixed interest rate for a limited, pre-determined period of time. Such derivatives have been used to hedge the variability in existing and future interest expense associated with existing variable rate borrowings and forecasted issuances of debt, which may include issuances of new debt, as well as refinancing of existing debt upon maturity.

Accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the designation of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

For derivatives designated as “cash flow” hedges, the change in the fair value of the derivative is initially reported in “Other comprehensive income” (“OCI”) in our Consolidated Statements of Comprehensive Income (i.e., not included in earnings) and subsequently reclassified into “Interest expense” when the hedged transaction affects earnings or the hedging relationship is no longer highly effective. We assess the effectiveness of each hedging relationship whenever financial statements are issued or earnings are reported and at least every three months. We do not use derivatives for trading or speculative purposes.

During June 2013, certain of our consolidated ventures entered into two pay-fixed, receive-floating interest rate swaps to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates. The pay-fixed, receive-floating interest rate swaps have an effective date of June 2013 and a maturity date of June 2023. These interest rate swaps effectively fix the interest rate on the related debt instruments at 4.72%. As of June 30, 2018, and December 31, 2017, we had borrowings payable subject to these pay-fixed, receive-floating interest rate swaps with aggregate principal balances of approximately $6.4 million for both periods presented.

During December 2015, we entered into a pay-fixed, receive-floating interest rate swap to hedge the variability of future cash flows attributable to changes in the 1 month USD LIBOR rates on our $200.0 million unsecured term loan. The pay-fixed, receive-floating interest rate swap has an effective date of December 2015 and a maturity date of December 2022. During December 2017, we amended the senior unsecured term loan, lowering our margin to between .90% to 1.75% per annum effective January 1, 2018. The interest rate swap effectively fixes the interest rate on the related debt instrument at 2.81%, however, there is no floor on the variable interest rate of the swap whereas the current variable rate debt is subject to a 0.0% floor. In the event that USD LIBOR is negative, the Company will make payments to the hedge counterparty equal to the negative spread between USD LIBOR and zero. As of June 30, 2018 and December 31, 2017, the entire $200.0 million principal amount of the term loan was subject to this pay-fixed, receive-floating interest rate swap.

The following table presents the effect of our derivative financial instruments on our accompanying Consolidated Financial Statements (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Derivatives in Cash Flow Hedging Relationships				
Interest Rate Swaps:				
Amount of gain (loss) recognized in OCI for derivatives	$ 1,516	$ (1,503)	$ 5,171	$ (1,142)
Amount of loss reclassified from accumulated OCI for derivatives into interest expense and equity in earnings of unconsolidated joint ventures, net	$ (906)	$ (1,402)	$ (2,006)	$ (2,888)
Amount of gain (loss) recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)	$ —	$ 24	$ —	$ (6)

Amounts reported in “Accumulated other comprehensive loss” related to derivatives will be amortized to “Interest expense” as interest payments are made on our current debt and anticipated debt issuances. During the next 12 months, we estimate that approximately $2.3 million will be reclassified from “Accumulated other comprehensive loss” to “Interest expense” resulting in an increase in interest expense.

Note 6 – Outstanding Indebtedness

As of June 30, 2018, our outstanding indebtedness of approximately $1.8 billion consisted of senior unsecured notes, bank unsecured credit facilities and mortgage notes, excluding approximately $51.5 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures. As of December 31, 2017, our outstanding indebtedness of approximately $1.7 billion consisted of senior unsecured notes, bank unsecured credit facilities and mortgage notes, excluding approximately $51.9 million representing our proportionate share of non-recourse debt associated with unconsolidated joint ventures.

As of June 30, 2018, the gross book value of our consolidated properties was approximately $4.8 billion and the gross book value of all properties securing our mortgage debt was approximately $0.5 billion. As of December 31, 2017, the gross book value of our consolidated properties was approximately $4.7 billion and the gross book value of all properties securing our mortgage debt was approximately $0.5 billion. Our debt has various covenants with which we were in compliance as of June 30, 2018 and December 31, 2017.

Debt Issuance, Payoffs and Refinancing

During April 2018, we entered into a variable rate senior secured construction loan with a maximum borrowing available of $14.3 million, which matures on April 6, 2020 and bears interest at a variable rate equal to 1 month USD LIBOR plus 2.50%. As of June 30, 2018, we currently have $7.1 million outstanding.

During June 2018, we paid off our $41.5 million senior unsecured note maturing June 2018 using proceeds from our senior unsecured revolving credit facility.

Line of Credit

As of June 30, 2018, we had $324.0 million outstanding and $74.1 million available under our $400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling $1.9 million. As of December 31, 2017, we had $234.0 million outstanding and $164.1 million available under our $400.0 million senior unsecured revolving credit facility, net of two letters of credit totaling $1.9 million.

Guarantee of Debt

DCT has guaranteed the Operating Partnership's obligations with respect to the senior unsecured notes and the bank unsecured credit facilities.

Note 7 – Noncontrolling Interests

DCT

Noncontrolling interests are the portion of equity, or net assets, in a subsidiary not attributable, directly or indirectly, to a parent. Noncontrolling interests of DCT primarily represent limited partnership interests in the Operating Partnership and equity interests held by third party partners in consolidated real estate investments.

Operating Partnership

Equity interests in the Operating Partnership held by third-parties and LTIP Units, as defined in "Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership," are classified as permanent equity of the Operating Partnership and as noncontrolling interests of DCT in the Consolidated Balance Sheets.

Note 8 – Stockholders' Equity of DCT and Partners' Capital of the Operating Partnership

DCT

Common Stock

As of June 30, 2018, approximately 94.1 million shares of common stock were issued and outstanding.

On September 10, 2015, we registered a continuous equity offering program whereby the Company may issue 5.0 million shares of common stock, at a par value of $0.01 per share, from time-to-time through September 10, 2018 in "at-the-market" offerings or certain other transactions. During the six months ended June 30, 2018, we issued approximately 0.2 million shares of common stock through the continuous equity offering program, at a weighted average price of $57.36 per share for proceeds of approximately $10.8 million, net of offering costs. We used the proceeds for general corporate purposes, including funding developments and redevelopments. As of June 30, 2018, approximately 0.5 million shares of common stock remain available to be issued under the current offering.

During the six months ended June 30, 2018 and 2017, we issued approximately 36,000 and 72,000 shares of common stock in each corresponding period related to vested shares of restricted stock, phantom shares and stock option exercises.

Operating Partnership

OP Units

For each share of common stock issued by DCT, the Operating Partnership issues a corresponding OP Unit to DCT in exchange for the contribution of the proceeds from the stock issuances.

As of June 30, 2018 and December 31, 2017, DCT owned approximately 96.7% and 96.6%, respectively, of the outstanding equity interests in the Operating Partnership. The remaining common partnership interests in the Operating Partnership were owned by executives of the Company and non-affiliated limited partners.

DCT holds its interests through both general and limited partner units. The Partnership Agreement stipulates the general partner shall at all times own a minimum of 1.0% of all outstanding OP Units. As a result, each reporting period certain of DCT's limited partner units are converted to general partner units to satisfy this requirement as illustrated in the Consolidated Statement of Changes in Capital.

Limited partners have the right to require the Company to redeem all or a portion of the OP Units held by the limited partner at a redemption price equal to and in the form of the Cash Amount (as defined in the Partnership Agreement) provided that such OP Units have been outstanding for at least one year. The Company may, in its sole discretion, purchase the OP Units by paying to the limited partner either the Cash Amount or the REIT Shares Amount (generally one share of DCT's common stock for each OP Unit), as defined in the Partnership Agreement.

During the six months ended June 30, 2018, approximately 0.1 million OP Units were redeemed in exchange for shares of DCT common stock and approximately $0.9 million in cash. During the six months ended June 30, 2017, approximately 0.2 million OP Units were redeemed for approximately $2.3 million in cash and approximately 0.1 million shares of DCT common stock. The OP Unit redemptions exclude LTIP Unit redemptions, see "LTIP Units" below for a summary of LTIP Unit redemptions.

As of June 30, 2018, and December 31, 2017, there were approximately 3.2 million outstanding OP Units held by entities other than DCT and redeemable, with an aggregate redemption value of approximately $213.3 million and $191.0 million based on the $66.73 and $58.78 per share closing price of DCT's common stock on June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018 and December 31, 2017, included in OP Units were approximately 0.8 million vested LTIP Units issued under our Long-Term Incentive Plan, as amended.

Equity-Based Compensation

On October 10, 2006, the Company established the Long-Term Incentive Plan, as amended, to grant restricted stock, stock options and other awards to our personnel and directors, as defined in the plan. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards vest. Such expense is included in "General and administrative" expense in our Consolidated Statements of Operations.

Restricted Stock

Holders of restricted stock have voting rights and rights to receive dividends equally along with common shares. Restricted stock may not be sold, assigned, transferred, pledged or otherwise disposed of and is subject to a risk of forfeiture prior to the expiration of the applicable vesting period. Restricted stock is recorded at fair value on the date of grant, based on the closing price of our common stock, and amortized to compensation expense on a straight-line basis over the service period during which the stock vests. Restricted stock generally vests ratably over a period of four or five years, depending on the grant. During the six months ended June 30, 2018, we granted approximately 32,000 shares of restricted stock to certain officers and employees at the weighted average fair market value of $58.76 per share.

LTIP Units

Pursuant to the Long-Term Incentive Plan, as amended, the Company may grant limited partnership interests in the Operating Partnership called LTIP Units. LTIP Units generally vest ratably over a period of fourto fiveyears, depending on the grant. In addition to vesting, the implied or actual value of DCT common stock or OP Units per share/unit must be greater than the grant date fair value of the LTIP Units to be redeemable, which is a based on a conversion ratio. As such, vested LTIP Units may be redeemed by the Company in cash or in shares of DCT common stock, at the discretion of the Company, for a maximum of a one-for-one basis with common shares based on the conversion ratio, subject to certain restrictions of the Partnership Agreement. LTIP Units receive distributions equally along with common shares. LTIP Unit equity compensation is amortized to compensation expense over the service period during which the units vest.

During the six months ended June 30, 2018, approximately 0.1 million LTIP Units were granted to certain senior executives, which vest over a four year period with fair value per LTIP Unit of $54.29 which totals approximately $7.2 million at the date of grant as determined by a lattice-binomial option-pricing model based on a Monte Carlo simulation using a weighted average volatility factor of 18%, a weighted average risk-free interest rate of 2.51% and an assumed holding period of 5 years. During the six months ended June 30, 2018, approximately 121,000 vested LTIP Units were converted into approximately 121,000 shares of DCT common stock and approximately 21,000 vested LTIP Units were redeemed for approximately $1.2 million in cash. As of June 30, 2018, approximately 1.2 million LTIP Units were outstanding.

Note 9 – Net Earnings per Share/Unit

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

A participating security is defined by GAAP as an unvested share-based payment award containing non-forfeitable rights to dividends and must be included in the computation of earnings per share/unit pursuant to the two-class method. Nonvested restricted stock, phantom stock and LTIP Units are considered participating securities as these share-based awards contain non-forfeitable rights to dividends irrespective of whether the awards ultimately vest or expire.

DCT

The following table presents the computation of basic and diluted weighted average common shares outstanding (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Denominator				
Weighted average common shares outstanding – basic	94,101	92,307	93,956	92,030
Effect of dilutive securities:				
Stock options	23	122	25	126
Weighted average common shares outstanding – diluted	94,124	92,429	93,981	92,156

Operating Partnership

The following table presents the computation of basic and diluted weighted average OP Units outstanding (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Denominator				
Weighted average OP Units outstanding – basic	97,311	95,827	97,223	95,622
Effect of dilutive securities:				
Stock options	23	122	25	126
Weighted average OP Units outstanding – diluted	97,334	95,949	97,248	95,748

DCT and the Operating Partnership

Potentially Dilutive Shares

For the three and six months ended June 30, 2018, DCT excluded from net earnings per diluted share the weighted average common share equivalents related to 3.2 million and 3.3 million OP Units, respectively, because their effects would be anti-dilutive. During the same periods ended June 30, 2017, DCT excluded from net earnings per diluted share the weighted average common share equivalents related to 3.5 million and 3.6 million OP Units, respectively, because their effect would be anti-dilutive.

Note 10 – Segment Information

The Company's segments are based on our internal reporting of operating results used to assess performance based on our properties' geographical markets. Our markets are aggregated into three reportable regions or segments, East, Central and West, which are based on the geographical locations of our properties. Management considers rental revenues and property net operating income ("NOI") aggregated by segment to be the appropriate way to analyze our performance.

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

	As of June 30, 2018	As of December 31, 2017
Segments:		
East assets	$ 1,133,715	$ 1,125,085
Central assets	1,196,813	1,187,663
West assets	1,629,552	1,582,436
Total segment net assets	3,960,080	3,895,184
Non-segment assets:		
Non-segment cash and cash equivalents	19,843	10,522
Other non-segment assets[(1)]	103,223	104,966
Total assets	$ 4,083,146	$ 4,010,672

(1) Other non-segment assets primarily consist of investments in and advances to unconsolidated joint ventures, deferred loan costs, other receivables, restricted cash and other assets.

The following table presents the rental revenues of our segments and a reconciliation of our segment rental revenues to our reported consolidated total revenues (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
East	$ 31,052	$ 31,321	$ 62,441	$ 62,982
Central	37,135	34,160	74,321	68,758
West	41,594	38,736	82,442	77,901
Rental revenues	109,781	104,217	219,204	209,641
Institutional capital management and other fees	288	304	672	776
Total revenues	$ 110,069	$ 104,521	$ 219,876	$ 210,417

The following table presents a reconciliation of our reported "Net income attributable to common stockholders" to our property NOI and property NOI of our segments (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to common stockholders	$ 24,116	$ 41,634	$ 72,939	$ 56,593
Net income attributable to noncontrolling interests of DCT Industrial Trust Inc.	806	1,611	2,537	2,208
Net income attributable to OP Unitholders	$ 24,922	$ 43,245	$ 75,476	$ 58,801
Net income attributable to noncontrolling interests of the Operating Partnership	366	247	754	480
Institutional capital management and other fees	(288)	(304)	(672)	(776)
Gain on dispositions of real estate interests	(11,784)	(28,076)	(43,974)	(28,102)
Real estate related depreciation and amortization	41,896	41,447	83,128	83,052
Casualty loss (gain)	240	—	245	(270)
General and administrative expense	12,824	7,821	20,288	15,013
Equity in earnings of unconsolidated joint ventures, net	(1,089)	(2,737)	(2,166)	(4,253)
Interest expense	16,133	16,805	32,183	33,560
Other expense	114	7	80	12
Impairment loss on land	—	938	371	938
Income tax expense and other taxes	140	69	221	203
Property NOI[(1)]	$ 83,474	$ 79,462	$ 165,934	$ 158,658
East	$ 24,189	$ 24,350	$ 48,416	$ 48,568
Central	27,031	24,514	53,398	49,024
West	32,254	30,598	64,120	61,066
Property NOI[(1)]	$ 83,474	$ 79,462	$ 165,934	$ 158,658

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

Note 11 – The Proposed Merger with Prologis, Inc.

Proposed Merger with Prologis, Inc.

On April 29, 2018, the Company and the Operating Partnership entered into an Agreement and Plan of Merger (the "Merger Agreement") with Prologis, Inc. ("Prologis") and Prologis, L.P. ("PLDOP"), pursuant to which the Company will be merged with and into Prologis, and the Operating Partnership will be merged into PLDOP. The merger consideration will be approximately $8.4 billion in a stock-for-stock transaction, including the assumption of debt. Under the terms of the Merger Agreement, DCT stockholders and OP Unitholders will receive 1.02 Prologis shares and limited partnership interests in PLDOP, respectively, for each DCT share or OP Unit they own.

The boards of directors of both companies have unanimously approved the transaction. The transaction, which is currently expected to close in the third quarter of 2018, is subject to the approval of DCT stockholders and other customary closing conditions.

During the three and six months ended June 30, 2018, the Company incurred $5.5 million of transaction costs related to the planned Merger, which were recorded in general and administrative expense in our consolidated statements of income.