

FIRST INDUSTRIAL REALTY TRUST INC

Form 10-K

March 02, 2009

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

- þ** **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
- o** **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 1-13102

FIRST INDUSTRIAL REALTY TRUST, INC.
(Exact name of Registrant as specified in its Charter)

Maryland
(State or other jurisdiction of incorporation or organization)
311 S. Wacker Drive,
Suite 4000, Chicago, Illinois
(Address of principal executive offices)

36-3935116
(I.R.S. Employer Identification No.)
60606
(Zip Code)

(312) 344-4300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Common Stock
(Title of Class)

New York Stock Exchange
(Name of exchange on which registered)

Depository Shares Each Representing 1/10,000 of a Share of 7.25% Series J Cumulative Preferred Stock
Depository Shares Each Representing 1/10,000 of a Share of 7.25% Series K Cumulative Preferred Stock
(Title of class)

New York Stock Exchange
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately \$1,178.2 million based on the closing price on the New York Stock Exchange for such stock on June 30, 2008.

At February 20, 2009, 44,572,578 shares of the Registrant's Common Stock, \$0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference to the Registrant's definitive proxy statement expected to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

TABLE OF CONTENTS

	Page
<u>PART I.</u>	
<u>Item 1.</u> <u>Business</u>	4
<u>Item 1A.</u> <u>Risk Factors</u>	8
<u>Item 1B.</u> <u>Unresolved SEC Comments</u>	15
<u>Item 2.</u> <u>Properties</u>	15
<u>Item 3.</u> <u>Legal Proceedings</u>	21
<u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u>	21
<u>PART II.</u>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	22
<u>Item 6.</u> <u>Selected Financial Data</u>	25
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	44
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	44
<u>Item 9A.</u> <u>Controls and Procedures</u>	44
<u>Item 9B.</u> <u>Other Information</u>	45
<u>PART III.</u>	
<u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u>	45
<u>Item 11.</u> <u>Executive Compensation</u>	45
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	45
<u>Item 13.</u> <u>Certain Relationships and Related Transactions and Director Independence</u>	45
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	45
<u>PART IV.</u>	
<u>Item 15.</u> <u>Exhibits and Financial Statement Schedules</u>	45
<u>Signatures</u>	S-27
<u>EX-10.33</u>	
<u>EX-10.35</u>	
<u>EX-21.1</u>	
<u>EX-23</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

Table of Contents

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects include, but are not limited to, changes in: international, national, regional and local economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of financing, interest rates, competition, supply and demand for industrial properties in our current and proposed market areas, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs and changes in general accounting principles, policies and guidelines applicable to real estate investment trusts and risks related to doing business internationally (including foreign currency exchange risks). These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect our financial results, is included in Item 1A, Risk Factors and in our other filings with the Securities and Exchange Commission. Unless the context otherwise requires, the terms the Company, we, us, and our refer to First Industrial Realty Trust, Inc., First Industrial, L.P. and their other controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership, and our taxable REIT subsidiary, First Industrial Investment, Inc., as the TRS.

Table of Contents

PART I

THE COMPANY

Item 1. *Business*

General

First Industrial Realty Trust, Inc. is a Maryland corporation organized on August 10, 1993, and is a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986 (the Code). We are a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops, and redevelops industrial real estate. As of December 31, 2008, our in-service portfolio consisted of 352 light industrial properties, 121 R&D/flex properties, 152 bulk warehouse properties, 84 regional warehouse properties and 19 manufacturing properties containing approximately 60.6 million square feet of gross leasable area (GLA) located in 28 states in the United States and one province in Canada. Our in-service portfolio includes all properties other than developed, redeveloped and acquired properties that have not yet reached stabilized occupancy (generally defined as properties that are 90% leased).

Our interests in our properties and land parcels are held through partnerships, corporations, and limited liability companies controlled, directly or indirectly, by the Company, including the Operating Partnership, of which we are the sole general partner with an approximate 88.5% and 87.1% ownership interest at December 31, 2008 and December 31, 2007, respectively, as well as, among others, the TRS, which is a taxable REIT subsidiary of which the Operating Partnership is the sole stockholder, all of whose operating data is consolidated with that of the Company as presented herein.

We also own minority equity interests in, and provide various services to, seven joint ventures whose purpose is to invest in industrial properties (the 2003 Net Lease Joint Venture, the 2005 Development/Repositioning Joint Venture, the 2005 Core Joint Venture, the 2006 Net Lease Co-Investment Program, the 2006 Land/Development Joint Venture, the 2007 Canada Joint Venture, and the 2007 Europe Joint Venture ; together the Joint Ventures). The Joint Ventures are accounted for under the equity method of accounting. One of the Joint Ventures, the 2007 Europe Joint Venture, does not own any properties and is inactive.

The operating data of our Joint Ventures is not consolidated with that of the Company as presented herein.

We utilize an operating approach which combines the effectiveness of decentralized, locally-based property management, acquisition, sales and development functions with the cost efficiencies of centralized acquisition, sales and development support, capital markets expertise, asset management and fiscal control systems. At February 20, 2009, we had 340 employees, approximately 34.4% fewer than at February 20, 2008.

We maintain a website at www.firstindustrial.com. Information on this website shall not constitute part of this Form 10-K. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available without charge on our website as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission (the SEC). In addition, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter, along with supplemental financial and operating information prepared by us, are all available without charge on our website or upon request to us. Amendments to, or waivers from, our Code of Business Conduct and Ethics that apply to our executive officers or

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directors will also be posted to our website. We also post or otherwise make available on our website from time to time other information that may be of interest to our investors. Please direct requests as follows:

First Industrial Realty Trust, Inc.
311 S. Wacker, Suite 4000
Chicago, IL 60606
Attn: Investor Relations

Table of Contents

Business Objectives and Growth Plans

Our fundamental business objective is to maximize the total return to our stockholders through increases in per share distributions and increases in the value of our properties and operations. Our long-term growth plans include the following elements:

Internal Growth. We seek to grow internally by (i) increasing revenues by renewing or re-leasing spaces subject to expiring leases at higher rental levels; (ii) increasing occupancy levels at properties where vacancies exist and maintaining occupancy elsewhere; (iii) controlling and minimizing property operating and general and administrative expenses; (iv) renovating existing properties; and (v) increasing ancillary revenues from non-real estate sources.

External Growth. We seek to grow externally through (i) additional joint venture investments; (ii) the development of industrial properties; (iii) the acquisition of portfolios of industrial properties, industrial property businesses or individual properties which meet our investment parameters and target markets; and (iv) the expansion of our properties.

Business Strategies

We utilize the following seven strategies in connection with the operation of our business:

Organization Strategy. We implement our decentralized property operations strategy through the deployment of experienced regional management teams and local property managers. We provide acquisition, development and financing assistance, asset management oversight and financial reporting functions from our headquarters in Chicago, Illinois to support our regional operations. We believe the size of our portfolio enables us to realize operating efficiencies by spreading overhead among many properties and by negotiating purchasing discounts.

Market Strategy. Our market strategy is to concentrate on the top industrial real estate markets in the United States and select industrial real estate markets in Canada. These markets have one or more of the following characteristics: (i) strong industrial real estate fundamentals, including increased industrial demand expectations; (ii) a history of and outlook for continued economic growth and industry diversity; and (iii) sufficient size to provide for ample transaction volume.

Leasing and Marketing Strategy. We have an operational management strategy designed to enhance tenant satisfaction and portfolio performance. We pursue an active leasing strategy, which includes broadly marketing available space, seeking to renew existing leases at higher rents per square foot and seeking leases which provide for the pass-through of property-related expenses to the tenant. We also have local and national marketing programs which focus on the business and real estate brokerage communities and national tenants.

Acquisition/Development Strategy. Our acquisition/development strategy is to invest in properties and other assets with higher yield potential in the top industrial real estate markets in the United States and select industrial real estate markets in Canada.

Disposition Strategy. We continuously evaluate local market conditions and property-related factors in all of our markets for purposes of identifying assets suitable for disposition.

Financing Strategy. To finance acquisitions and developments, as market conditions permit, we utilize a portion of net sales proceeds from property sales, proceeds from mortgage financings, borrowings under our

unsecured line of credit (the Unsecured Line of Credit) and proceeds from the issuance, when and as warranted, of additional debt and equity securities. We also continually evaluate joint venture arrangements as another source of capital. As of February 20, 2009, we had approximately \$6.2 million available for additional borrowings under our Unsecured Line of Credit.

Liquidity Strategy. We plan to enhance our liquidity through a combination of capital retention, mortgage financing and asset sales.

Retained Capital We plan to retain capital by adjusting our dividend policy to distribute the minimum amount required to maintain our REIT status. We will not pay a dividend in April 2009 and may not pay common dividends in future quarters in 2009 depending on our taxable income. If

Table of Contents

we are required to pay common stock dividends in 2009, we may elect to satisfy this obligation by distributing a combination of cash and common shares.

Mortgage Financing In June 2009, we have \$125.0 million of unsecured debt maturing, and in July 2009 we have approximately \$5.0 million of secured mortgage debt maturing. We are in active discussions with various lenders regarding the origination of mortgage financing. The total loan proceeds are expected to be sufficient to meet these maturities. If we fail to timely retire our maturing debt, we will be in default under our Unsecured Line of Credit and our senior debt securities.

Asset Sales We are in various stages of discussions with third parties for the sale of properties in the three months ended March 31, 2009, and plan to continue to market other properties for sale throughout 2009. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

Recent Developments

During 2008, we acquired or placed in-service developments totaling 33 industrial properties and acquired several parcels of land for a total investment of approximately \$441.8 million. We also sold 114 industrial properties and several parcels of land for a gross sales price of approximately \$583.2 million. At December 31, 2008, we owned 728 in-service industrial properties containing approximately 60.6 million square feet of GLA.

During 2008, we repurchased and retired \$36.6 million of our senior unsecured notes for a gain on early debt retirement of approximately \$2.7 million.

On or after March 31, 2009, our Series F Preferred Stock is subject to a coupon rate reset. The coupon rate resets every quarter beginning March 31, 2009 at 2.375% plus the greater of i) the 30 Year U.S. Treasury rate, ii) the 10 Year U.S. Treasury rate or iii) 3-Month LIBOR. In October 2008, we entered into an interest rate swap agreement (the Series F Agreement) to mitigate our exposure to floating interest rates related to the forecasted reset rate of our Series F Preferred Stock. The Series F Agreement has a notional value of \$50.0 million and is effective from April 1, 2009 through October 1, 2013. The Series F Agreement fixes the 30-year U.S. Treasury rate at 5.2175%. We recorded \$3.1 million in mark to market loss which is included in Mark to Market Loss on Settlement of Interest Rate Protection Agreements in earnings for the year ended December 31, 2008.

During the three months ended December 31, 2008, the Compensation Committee of the Board of Directors approved a plan to reduce organizational and overhead costs. As a result of the plan we recorded as restructuring costs a pre-tax charge of \$27.3 million to provide for employee severance and benefits (\$24.8 million), costs associated with the termination of certain office leases (\$1.2 million) and contract cancellation and other costs (\$1.3 million) associated with implementing the restructuring plan for the year ended December 31, 2008.

Future Property Acquisitions, Developments and Property Sales

We and our Joint Ventures have acquisition and development programs through which we are engaged in identifying, negotiating and consummating portfolio and individual industrial property acquisitions and developments. As a result, we and our Joint Ventures, other than our 2007 Europe Joint Venture, are currently engaged in negotiations relating to the possible acquisition and development of certain industrial properties.

We and our Joint Ventures also sell properties based on market conditions and property related factors. As a result, we and our Joint Ventures, other than our 2007 Europe Joint Venture, are currently engaged in negotiations relating to the possible sale of certain industrial properties in our portfolio.

When evaluating potential industrial property acquisitions and developments, as well as potential industrial property sales, we will consider such factors as: (i) the geographic area and type of property; (ii) the location, construction quality, condition and design of the property; (iii) the potential for capital appreciation of the property; (iv) the ability of the Company to improve the property's performance through renovation; (v) the terms of tenant leases, including the potential for rent increases; (vi) the potential for economic growth and the tax and regulatory environment of the area in which the property is located; (vii) the potential for expansion of the physical layout of the property and/or the number of sites; (viii) the occupancy and demand

Table of Contents

by tenants for properties of a similar type in the vicinity; and (ix) competition from existing properties and the potential for the construction of new properties in the area.

INDUSTRY

Industrial properties are typically used for the design, assembly, packaging, storage and distribution of goods and/or the provision of services. As a result, the demand for industrial space in the United States is related to the level of economic output. Historically, occupancy rates for industrial property in the United States have been higher than office property. We believe that the higher occupancy rate in the industrial property sector is a result of the construction-on-demand nature of, and the comparatively short development time required for, industrial property. For the five years ended December 31, 2008, the national occupancy rate for industrial properties in the United States has ranged from 88.3%*to 90.7%*, with an occupancy rate of 88.7%* at December 31, 2008.

* Source: Torto Wheaton Research

Table of Contents

Item 1A. Risk Factors

Risk Factors

Our operations involve various risks that could adversely affect our financial condition, results of operations, cash flow, ability to pay distributions on our common stock and the market price of our common stock. These risks, among others contained in our other filings with the SEC, include:

Recent disruptions in the financial markets could affect our ability to obtain financing and may negatively impact our liquidity, financial condition and operating results.

The capital and credit markets in the United States and other countries have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. A majority of our existing indebtedness was sold through capital markets transactions. We anticipate that the capital markets could be a source of refinancing of our existing indebtedness in the future, including our 5.25% Notes in the aggregate amount of \$125.0 million due on June 15, 2009. This source of refinancing may not be available if capital markets volatility and disruption continues, which could have a material adverse effect on our liquidity. Furthermore, we could potentially lose access to our current available liquidity under our Unsecured Line of Credit if one or more participating lenders default on their investments. While the ultimate outcome of these market conditions cannot be predicted, they may have a material adverse effect on our liquidity and financial condition if our ability to borrow money under our Unsecured Line of Credit or to issue additional debt or equity securities to finance future acquisitions, developments and redevelopments and Joint Venture activities were to be impaired.

In addition, the recent capital and credit market price volatility will likely make the valuation of our properties and those of our unconsolidated joint ventures more difficult. There may be significant uncertainty in the valuation, or in the stability of the value, of our properties and those of our unconsolidated joint ventures, that could result in a substantial decrease in the value of our properties and those of our unconsolidated joint ventures. As a result, we may not be able to recover the carrying amount of our properties or our investments in Joint Ventures, which may require us to recognize an impairment loss in earnings.

Real estate investments value fluctuates depending on conditions in the general economy and the real estate business. These conditions may limit the Company's revenues and available cash.

The factors that affect the value of our real estate and the revenues we derive from our properties include, among other things:

general economic conditions;

local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own properties;

local conditions such as oversupply or a reduction in demand in an area;

the attractiveness of the properties to tenants;

tenant defaults;

zoning or other regulatory restrictions;
competition from other available real estate;
our ability to provide adequate maintenance and insurance; and
increased operating costs, including insurance premiums and real estate taxes.

Table of Contents

These factors may be amplified in light of the current economic crisis. Our investments in real estate assets are concentrated in the industrial sector, and the demand for industrial space in the United States is related to the level of economic output. Accordingly, reduced economic output may lead to lower occupancy rates for our properties. In addition, if any of our tenants experiences a downturn in its business that weakens its financial condition, delays lease commencement, fails to make rental payments when due, becomes insolvent or declares bankruptcy, the result could be a termination of the tenant's lease, which could adversely affect our cash flow from operations.

Many real estate costs are fixed, even if income from properties decreases.

Our financial results depend on leasing space to tenants on terms favorable to us. Our income and funds available for distribution to our stockholders will decrease if a significant number of our tenants cannot pay their rent or we are unable to lease properties on favorable terms. In addition, if a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and we may incur substantial legal costs. Costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment.

The Company may be unable to sell properties when appropriate because real estate investments are not as liquid as certain other types of assets.

Real estate investments generally cannot be sold quickly and, therefore, will tend to limit our ability to adjust our property portfolio promptly in response to changes in economic or other conditions. The inability to respond promptly to changes in the performance of our property portfolio could adversely affect our financial condition and ability to service debt and make distributions to our stockholders. In addition, like other companies qualifying as REITs under the Code, we must comply with the safe harbor rules relating to the number of properties disposed of in a year, their tax basis and the cost of improvements made to the properties, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets may be restricted.

The Company may be unable to sell properties on advantageous terms.

We have sold to third parties a significant number of properties in recent years and, as part of our business, we intend to continue to sell properties to third parties. Our ability to sell properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. If we are unable to sell properties on favorable terms or redeploy the proceeds of property sales in accordance with our business strategy, then our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock could be adversely affected.

We have also sold to our Joint Ventures a significant number of properties in recent years and, as part of our business, we intend to continue to sell or contribute properties to our Joint Ventures as opportunities arise. If we do not have sufficient properties available that meet the investment criteria of current or future Joint Ventures, or if the Joint Ventures have reduced or do not have access to capital on favorable terms, then such sales could be delayed or prevented, adversely affecting our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock.

The Company may be unable to complete development and re-development projects on advantageous terms.

As part of our business, we develop new and re-develop existing properties. In addition, we have sold to third parties or sold to our Joint Ventures a significant number of development and re-development properties in recent years, and we intend to continue to sell such properties to third parties or to sell or contribute such properties to our Joint

Ventures as opportunities arise. The real estate development and re-development

Table of Contents

business involves significant risks that could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of our common stock, which include:

we may not be able to obtain financing for development projects on favorable terms and complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties and generating cash flow;

we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;

the properties may perform below anticipated levels, producing cash flow below budgeted amounts and limiting our ability to sell such properties to third parties or to sell such properties to our Joint Ventures.

The Company may be unable to renew leases or find other lessees.

We are subject to the risks that, upon expiration, leases may not be renewed, the space subject to such leases may not be relet or the terms of renewal or reletting, including the cost of required renovations, may be less favorable than expiring lease terms. If we were unable to promptly renew a significant number of expiring leases or to promptly relet the space covered by such leases, or if the rental rates upon renewal or reletting were significantly lower than the current rates, our financial condition, results of operation, cash flow and ability to pay dividends on, and the market price of our common stock could be adversely affected. As of December 31, 2008, leases with respect to approximately 11.8 million, 9.7 million and 8.4 million square feet of GLA, representing 21%, 17% and 15% of GLA, expire in 2009, 2010 and 2011, respectively.

The Company may be unable to acquire properties on advantageous terms or acquisitions may not perform as the Company expects.

We acquire and intend to continue to acquire primarily industrial properties. The acquisition of properties entails various risks, including the risks that our investments may not perform as expected and that our cost estimates for bringing an acquired property up to market standards may prove inaccurate. Further, we face significant competition for attractive investment opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private investors. This competition increases as investments in real estate become attractive relative to other forms of investment. As a result of competition, we may be unable to acquire additional properties as we desire or the purchase price may be elevated. In addition, we expect to finance future acquisitions through a combination of borrowings under the Unsecured Line of Credit, proceeds from equity or debt offerings by the Company and proceeds from property sales, which may not be available and which could adversely affect our cash flow. Any of the above risks could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market value of, our common stock.

The Company might fail to qualify or remain qualified as a REIT.

We intend to operate so as to qualify as a REIT under the Code. Although we believe that we are organized and will operate in a manner so as to qualify as a REIT, qualification as a REIT involves the satisfaction of numerous requirements, some of which must be met on a recurring basis. These requirements are established under highly technical and complex Code provisions of which there are only limited judicial or administrative interpretations and involve the determination of various factual matters and circumstances not entirely within our control.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at corporate rates. This could result in a discontinuation or

substantial reduction in dividends to stockholders and in cash to pay interest and principal on debt securities that we issue. Unless entitled to relief under certain statutory provisions, we would be disqualified from electing treatment as a REIT for the four taxable years following the year during which we failed to qualify as a REIT.

Table of Contents

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

As part of our business, we sell properties to third parties or sell properties to our Joint Ventures as opportunities arise. Under the Code, a 100% penalty tax could be assessed on the gain resulting from sales of properties that are deemed to be prohibited transactions. The question of what constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The Internal Revenue Service (IRS) could contend that certain sales of properties by us are prohibited transactions. While we do not believe that the IRS would prevail in such a dispute, if the matter were successfully argued by the IRS, the 100% penalty tax could be assessed against the profits from these transactions. In addition, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualification as a REIT.

The REIT distribution requirements may limit the Company's ability to retain capital and require the Company to turn to external financing sources.

We could, in certain instances, have taxable income without sufficient cash to enable us to meet the distribution requirements of the REIT provisions of the Code. In that situation, we could be required to borrow funds or sell properties on adverse terms in order to meet those distribution requirements. In addition, because we must distribute to our stockholders at least 90% of our REIT taxable income each year, our ability to accumulate capital may be limited. Thus, to provide capital resources for our ongoing business, organic growth and future acquisitions, we may be more dependent on outside sources of financing, such as debt financing or issuances of additional capital stock, which may or may not be available on favorable terms. Additional debt financings may substantially increase our leverage and additional equity offerings may result in substantial dilution of stockholders' interests.

Debt financing, the degree of leverage and rising interest rates could reduce the Company's cash flow.

Where possible, we intend to continue to use leverage to increase the rate of return on our investments and to allow us to make more investments than we otherwise could. Our use of leverage presents an additional element of risk in the event that the cash flow from our properties is insufficient to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. In addition, rising interest rates would reduce our cash flow by increasing the amount of interest due on our floating rate debt and on our fixed rate debt as it matures and is refinanced.

Failure to comply with covenants in our debt agreements could adversely affect our financial condition.

The terms of our agreements governing our Unsecured Line of Credit and other indebtedness require that we comply with a number of financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. Complying with such covenants may limit our operational flexibility. Moreover, our failure to comply with these covenants could cause a default under the applicable debt agreement even if we have satisfied our payment obligations. Upon the occurrence of an event of default, the lenders under our Unsecured Line of Credit will not be required to lend any additional amounts to us, and our outstanding senior debt securities as well as all outstanding borrowings under the Unsecured Line of Credit, together with accrued and unpaid interest and fees, could be accelerated and declared to be immediately due and payable. Furthermore, our Unsecured Line of Credit and senior debt securities contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the Unsecured Line of Credit and the senior debt securities or other debt that is in default, which could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our stock. If repayment of any of our borrowings is accelerated, we cannot provide assurance that we will have sufficient assets to repay such indebtedness or that we would be able to borrow sufficient funds to refinance such indebtedness. Even if

we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us.

Table of Contents

Moreover, the provisions of credit agreements and other debt instruments are complex, and some are subject to varying interpretations. Breaches of these provisions may be identified or occur in the future, and such provisions may be interpreted by the lenders under our Unsecured Line of Credit or the trustee with respect to the senior debt securities in a manner that could impose material costs on us.

Cross-collateralization of mortgage loans could result in foreclosure on substantially all of the Company's properties if the Company is unable to service its indebtedness.

If the Operating Partnership decides to obtain additional debt financing in the future, it may do so through mortgages on any of its properties. These mortgages may be issued on a recourse, non-recourse or cross-collateralized basis. Cross-collateralization makes all of the subject properties available to the lender in order to satisfy our debt. Holders of indebtedness that is so secured will have a claim against these properties. To the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon properties that are not the primary collateral for their loan, which may, in turn, result in acceleration of other indebtedness secured by properties. Foreclosure of properties would result in a loss of income and asset value to us, making it difficult for us to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. As of December 31, 2008, none of our existing indebtedness was cross-collateralized.

The Company may have to make lump-sum payments on its existing indebtedness.

We are required to make the following lump-sum or balloon payments under the terms of some of our indebtedness, including indebtedness of the Operating Partnership:

\$50.0 million aggregate principal amount of 7.750% Notes due 2032 (the 2032 Notes)

\$200.0 million aggregate principal amount of 7.600% Notes due 2028 (the 2028 Notes)

Approximately \$15.0 million aggregate principal amount of 7.150% Notes due 2027 (the 2027 Notes)

Approximately \$118.5 million aggregate principal amount of 5.950% Notes due 2017 (the 2017 II Notes)

\$100.0 million aggregate principal amount of 7.500% Notes due 2017 (the 2017 Notes)

\$195.0 million aggregate principal amount of 5.750% Notes due 2016 (the 2016 Notes)

\$125.0 million aggregate principal amount of 6.420% Notes due 2014 (the 2014 Notes)

\$200.0 million aggregate principal amount of 6.875% Notes due 2012 (the 2012 Notes)

\$200.0 million aggregate principal amount of 4.625% Notes due 2011 (the 2011 Exchangeable Notes)

\$200.0 million aggregate principal amount of 7.375% Notes due 2011 (the 2011 Notes)

\$125.0 million aggregate principal amount of 5.250% Notes due 2009 (the 2009 Notes)

a \$500.0 million Unsecured Line of Credit under which we may borrow to finance the acquisition of additional properties and for other corporate purposes, including working capital.

The Unsecured Line of Credit provides for the repayment of principal in a lump-sum or balloon payment at maturity in 2012. Under the Unsecured Line of Credit, we have the right, subject to certain conditions, to increase the aggregate commitment by up to \$200.0 million. The portion available in multiple currencies is \$161.0 million. As of December 31, 2008, \$443.3 million was outstanding under the Unsecured Line of Credit at a weighted average interest rate of 1.98%.

Our ability to make required payments of principal on outstanding indebtedness, whether at maturity or otherwise, may depend on our ability either to refinance the applicable indebtedness or to sell properties. We have no commitments to refinance the 2009 Notes, the 2011 Notes, the 2011 Exchangeable Notes, the 2012 Notes, the 2014 Notes, the 2016 Notes, the 2017 Notes, the 2017 II Notes, the 2027 Notes, the 2028 Notes, the 2032 Notes or the Unsecured Line of Credit. Some of our existing debt obligations, other than those

Table of Contents

discussed above, are secured by our properties, and therefore such obligations will permit the lender to foreclose on those properties in the event of a default.

There is no limitation on debt in the Company's organizational documents.

As of December 31, 2008, our ratio of debt to our total market capitalization was 75.6%. We compute that percentage by calculating our total consolidated debt as a percentage of the aggregate market value of all outstanding shares of our common stock, assuming the exchange of all limited partnership units of the Operating Partnership for common stock, plus the aggregate stated value of all outstanding shares of preferred stock and total consolidated debt. Our organizational documents do not contain any limitation on the amount or percentage of indebtedness we may incur. Accordingly, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our ability to make expected distributions to stockholders and in an increased risk of default on our obligations.

Rising interest rates on the Company's Unsecured Line of Credit could decrease the Company's available cash.

Our Unsecured Line of Credit bears interest at a floating rate. As of December 31, 2008, our Unsecured Line of Credit had an outstanding balance of \$443.3 million at a weighted average interest rate of 1.98%. Our Unsecured Line of Credit bears interest at the prime rate or at the LIBOR plus 0.75%, at our election. Based on an outstanding balance on our Unsecured Line of Credit as of December 31, 2008, a 10% increase in interest rates would increase interest expense by \$0.8 million on an annual basis. Increases in the interest rate payable on balances outstanding under our Unsecured Line of Credit would decrease our cash available for distribution to stockholders.

Earnings and cash dividends, asset value and market interest rates affect the price of the Company's common stock.

As a REIT, the market value of our common stock, in general, is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. The market value of our common stock is based secondarily upon the market value of our underlying real estate assets. For this reason, shares of our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent that we retain operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash dividends likely would adversely affect the market price of our common stock. Further, the distribution yield on the common stock (as a percentage of the price of the common stock) relative to market interest rates may also influence the price of our common stock. An increase in market interest rates might lead prospective purchasers of our common stock to expect a higher distribution yield, which would adversely affect the market price of our common stock.

The Company may incur unanticipated costs and liabilities due to environmental problems.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate may be liable for the costs of clean-up of certain conditions relating to the presence of hazardous or toxic materials on, in or emanating from a property, and any related damages to natural resources. Environmental laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic materials. The presence of such materials, or the failure to address those conditions properly, may adversely affect the ability to rent or sell the property or to borrow using a property as collateral. Persons who dispose of or arrange for the disposal or treatment of hazardous or toxic materials may also be liable for the costs of clean-up of such materials, or for related natural resource damages, at or from an off-site disposal or treatment facility, whether or not the facility is owned or operated by those persons. No assurance can be given that existing environmental assessments with respect to any of our properties reveal all environmental liabilities, that any prior owner or operator of any of the properties

did not

Table of Contents

create any material environmental condition not known to us or that a material environmental condition does not otherwise exist as to any of our Company's properties.

The Company's insurance coverage does not include all potential losses.

We currently carry comprehensive insurance coverage including property, boiler & machinery, liability, fire, flood, terrorism, earthquake, extended coverage and rental loss as appropriate for the markets where each of our properties and their business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties and business activities. We believe our properties are adequately insured. However, there are certain losses, including losses from earthquakes, hurricanes, floods, pollution, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, we could experience a significant loss of capital invested and potential revenues from these properties, and could potentially remain obligated under any recourse debt associated with the property.

The Company is subject to risks and liabilities in connection with its investments in properties through Joint Ventures.

As of December 31, 2008, seven of our Joint Ventures owned approximately 22.8 million square feet of properties. As of December 31, 2008, our investment in Joint Ventures was \$16.3 million in the aggregate, and for the year ended December 31, 2008, our equity in loss of Joint Ventures was \$33.2 million. Our organizational documents do not limit the amount of available funds that we may invest in Joint Ventures and we intend to continue to develop and acquire properties through Joint Ventures with other persons or entities when warranted by the circumstances. Joint venture investments, in general, involve certain risks, including:

co-members or joint venturers may share certain approval rights over major decisions;

co-members or joint venturers might fail to fund their share of any required capital commitments;

co-members or joint venturers might have economic or other business interests or goals that are inconsistent with our business interests or goals that would affect our ability to operate the property;

co-members or joint venturers may have the power to act contrary to our instructions, requests, policies or objectives, including our current policy with respect to maintaining our qualification as a real estate investment trust;

the joint venture agreements often restrict the transfer of a member's or joint venturer's interest or buy-sell or may otherwise restrict our ability to sell the interest when we desire or on advantageous terms;

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

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

The occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock.

In addition, joint venture investments in real estate involve all of the risks related to the ownership, acquisition, development, sale and financing of real estate discussed in the risk factors above. To the extent our investments in Joint Ventures are adversely affected by such risks our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock could be adversely affected.

Table of Contents

We are subject to risks associated with our international operations.

Under our market strategy, we plan to acquire and develop properties in Canada. Our international operations will be subject to risks inherent in doing business abroad, including:

exposure to the economic fluctuations in the locations in which we invest;

difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations;

revisions in tax treaties or other laws and regulations, including those governing the taxation of our international revenues;

obstacles to the repatriation of earnings and funds;

currency exchange rate fluctuations between the United States dollar and foreign currencies;

restrictions on the transfer of funds; and

national, regional and local political uncertainty.

We also have offices outside of the United States. Our ability to effectively establish, staff and manage these offices is subject to risks associated with employment practices, labor issues, and cultural factors that differ from those with which we are familiar. In addition, we may be subject to regulatory requirements and prohibitions that differ between jurisdictions. To the extent we expand our business globally, we may have difficulty anticipating and effectively managing these and other risks that our international operations may face, which may adversely affect our business outside the United States and our financial condition and results of operations.

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

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

Potential fluctuations in exchange rates between the U.S. dollar and the currencies of the other countries in which we invest may adversely affect our results of operations and financial position.

Owning, operating and developing industrial property outside of the United States exposes the Company to the possibility of volatile movements in foreign exchange rates. Changes in foreign currencies can affect the operating results of international operations reported in U.S. dollars and the value of the foreign assets reported in U.S. dollars. The economic impact of foreign exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. A significant depreciation in the value of the currency of one or more countries where we have a significant investment may materially affect our results of operations.

Item 1B. *Unresolved SEC Comments*

None.

Item 2. *Properties*

General

At December 31, 2008, we owned 728 in-service industrial properties containing an aggregate of approximately 60.6 million square feet of GLA in 28 states and one province in Canada, with a diverse base of more than 1,900 tenants engaged in a wide variety of businesses, including manufacturing, retail, wholesale

Table of Contents

trade, distribution and professional services. The average annual rental per square foot on a portfolio basis for 2008, calculated at December 31, 2008, was \$4.54. The properties are generally located in business parks that have convenient access to interstate highways and/or rail and air transportation. The weighted average age of the properties as of December 31, 2008 was approximately 20 years. We maintain insurance on our properties that we believe is adequate.

We classify our properties into five industrial categories: light industrial, R&D/flex, bulk warehouse, regional warehouse and manufacturing. While some properties may have characteristics which fall under more than one property type, we use what we believe is the most dominant characteristic to categorize the property.

The following describes, generally, the different industrial categories:

Light industrial properties are of less than 100,000 square feet, have a ceiling height of 16-21 feet, are comprised of 5%-50% of office space, contain less than 50% of manufacturing space and have a land use ratio of 4:1. The land use ratio is the ratio of the total property area to the area occupied by the building.

R&D/flex buildings are of less than 100,000 square feet, have a ceiling height of less than 16 feet, are comprised of 50% or more of office space, contain less than 25% of manufacturing space and have a land use ratio of 4:1.

Bulk warehouse buildings are of more than 100,000 square feet, have a ceiling height of at least 22 feet, are comprised of 5%-15% of office space, contain less than 25% of manufacturing space and have a land use ratio of 2:1.

Regional warehouses are of less than 100,000 square feet, have a ceiling height of at least 22 feet, are comprised of 5%-15% of office space, contain less than 25% of manufacturing space and have a land use ratio of 2:1.

Manufacturing properties are a diverse category of buildings that have a ceiling height of 10-18 feet, are comprised of 5%-15% of office space, contain at least 50% of manufacturing space and have a land use ratio of 4:1.

Table of Contents

Each of the properties is wholly owned by us or our consolidated subsidiaries. The following tables summarize certain information as of December 31, 2008, with respect to our in-service properties.

Property Summary

Metropolitan Area	Light Industrial		R&D/Flex		Bulk Warehouse		Regional Warehouse		Manufacturing	
	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties
Atlanta, GA(a)	666,544	11	206,826	5	2,422,142	10	306,207	4	847,950	
Baltimore, MD	857,286	14	169,660	5	383,135	3			171,000	
Central PA(b)	870,025	8			1,572,000	4	117,599	3		
Chicago, IL	912,677	14	174,841	3	2,453,625	13	172,851	4	421,000	
Cincinnati, OH	654,389	8			1,103,830	4	130,870	2		
Cleveland, OH	64,000	1			608,740	4				
Columbus, OH(c)	217,612	2			2,733,541	8	98,800	1		
Dallas, TX	2,221,217	41	454,963	18	2,035,363	17	677,433	10	128,478	
Denver, CO	1,170,042	20	1,016,054	23	400,498	3	343,516	5	126,384	
Detroit, MI	2,360,135	85	452,376	15	630,780	6	710,308	17	116,250	
Houston, TX	289,407	6	111,111	5	2,041,527	12	355,793	5		
Indianapolis, IN										
Los Angeles, CA (f,g)	837,500	17	38,200	3	3,170,869	12	222,710	5	71,600	
Long Beach, CA					595,940	2				
Los Angeles, CA	490,525	11	184,064	2	586,499	4	199,555	3		
Miami, FL							228,726	5		
Madison, WI	238,567	5	93,705	2	1,338,129	6	129,557	2		
Minneapolis/St. Paul, MN (h,i)	1,281,625	14	172,862	2	1,830,291	9	323,805	4	355,056	
New Jersey	709,556	12	289,967	6	329,593	2				
Nashville, TN	205,205	3			1,015,773	5			109,058	
Philadelphia, PA	188,177	6	36,802	2	799,287	3	71,912	2	178,000	
Phoenix, AZ(j)	38,560	1			328,526	2	436,615	6		
New Jersey(k)	680,480	6			281,100	2	79,329	1		
Salt Lake City, UT	706,201	35	146,937	6	279,179	1				
San Diego, CA	196,025	7					69,985	2		
Seattle, WA (l,m)					100,611	1	139,435	2		
St. Louis, MO(n)	660,239	9			1,468,095	5				
Tampa, FL(o)	234,679	7	531,357	24	209,500	1				
Toronto, ON	57,540	1			897,954	3				
Wichita, KS (p)	696,547	8			1,951,456	10	88,000	1		
Total	17,504,760	352	4,079,725	121	31,567,983	152	4,903,006	84	2,524,776	

- (a) One property collateralizes a \$2.5 million mortgage loan which matures on May 1, 2016.
- (b) One property collateralizes a \$14.1 million mortgage loan which matures on December 1, 2010.
- (c) One property collateralizes a \$4.8 million mortgage loan which matures on December 1, 2019.
- (d) Twelve properties collateralize a \$0.5 million mortgage loan which matures on September 1, 2009.
- (e) One property collateralizes a \$1.2 million mortgage loan which matures on January 1, 2013.
- (f) One property collateralizes a \$2.3 million mortgage loan which matures on January 1, 2012.
- (g) One property collateralizes a \$1.5 million mortgage loan which matures on June 1, 2014.
- (h) One property collateralizes a \$4.9 million mortgage loan which matures on December 1, 2019.
- (i) One property collateralizes a \$1.7 million mortgage loan which matures on September 30, 2024.
- (j) One property collateralizes a \$4.3 million mortgage loan which matures on June 1, 2018.

Table of Contents

- (k) One property collateralizes a \$6.0 million mortgage loan which matures on March 1, 2011.
- (l) One property collateralizes a \$2.4 million mortgage loan which matures on July 1, 2018.
- (m) One property collateralizes a \$1.0 million mortgage loan which matures on July 1, 2018.
- (n) One property collateralizes a \$13.5 million mortgage loan and an \$11.5 million mortgage loan which both mature on January 1, 2014.
- (o) Six properties collateralize a \$5.2 million mortgage loan which matures on July 1, 2009.
- (p) Properties are located in Wichita, KS, Grand Rapids, MI, Des Moines, IA, Austin, TX, Orlando, FL, Horn Lake, MS, Shreveport, LA, Kansas City, MO, San Antonio, TX, Birmingham, AL, Omaha, NE, Jefferson County, KY, Greenville, KY, Sumner, IA, and Winchester, VA.

In-Service Property Summary Totals

Metropolitan Area	GLA	Totals		GLA as a % of Total Portfolio
		Number of Properties	Average Occupancy at 12/31/08	
Atlanta, GA	4,449,669	34	92%	7.3%
Baltimore, MD	1,581,081	23	97%	2.6%
Central PA	2,559,624	15	99%	4.2%
Chicago, IL	4,134,994	36	89%	6.8%
Cincinnati, OH	1,889,089	14	93%	3.1%
Cleveland, OH	672,740	5	95%	1.1%
Columbus, OH	3,049,953	11	83%	5.0%
Dallas, TX	5,517,454	87	91%	9.1%
Denver, CO	3,056,494	52	92%	5.0%
Detroit, MI	4,269,849	124	92%	7.0%
Houston, TX	2,797,838	28	99%	4.6%
Indianapolis, IN	4,340,879	39	95%	7.2%
Inland Empire, CA	595,940	2	0%	1.0%
Los Angeles, CA	1,460,643	20	98%	2.4%
Miami, FL	228,726	5	67%	0.4%
Milwaukee, WI	1,799,958	15	95%	3.0%
Minneapolis/St. Paul, MN	3,963,639	33	92%	6.5%
N. New Jersey	1,329,116	20	94%	2.2%
Nashville, TN	1,330,036	9	97%	2.2%
Philadelphia, PA	1,274,178	15	100%	2.1%
Phoenix, AZ	803,701	9	65%	1.3%
S. New Jersey	1,040,909	9	83%	1.7%
Salt Lake City, UT	1,132,317	42	90%	1.9%

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San Diego, CA	266,010	9	97%	0.4%
Seattle, WA	240,046	3	100%	0.4%
St. Louis, MO	2,128,334	14	97%	3.5%
Tampa, FL	975,536	32	79%	1.6%
Toronto, ON	955,494	4	100%	1.6%
Other(a)	2,736,003	19	98%	4.5%
Total or Average	60,580,250	728	92%	100.0%

Table of Contents

- (a) Properties are located in Wichita, KS, Grand Rapids, MI, Des Moines, IA, Austin, TX, Orlando, FL, Horn Lake, MS, Shreveport, LA, Kansas City, MO, San Antonio, TX, Birmingham, AL, Omaha, NE, Jefferson County, KY, Greenville, KY, Sumner, IA, and Winchester, VA.

Property Acquisition Activity

During 2008, we acquired 26 industrial properties totaling approximately 3.1 million square feet of GLA at a total purchase price of approximately \$213.0 million, or approximately \$68.71 per square foot. We also purchased several land parcels for an aggregate purchase price of approximately \$126.7 million. The 26 industrial properties acquired have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Average Occupancy at 12/31/2008
Atlanta, GA	1	80,000	Regional Warehouse	58%
Chicago, IL	3	339,615	Bulk/Regional Warehouse	100%
Cleveland, OH	1	257,000	Bulk Warehouse	28%
Dallas, TX	1	220,542	Bulk Warehouse	100%
Inland Empire, CA	2	271,895	Lt. Ind./Bulk Warehouse	19%
Los Angeles, CA	5	320,942	R&D/Flex/Lt. Ind./Regional Warehouse	78%
Minneapolis, MN	1	165,360	Bulk Warehouse	100%
Philadelphia, PA	2	258,422	Manufacturing/Bulk Warehouse	100%
Phoenix, AZ	5	616,077	Bulk/Regional Warehouse	43%
Seattle, WA	3	240,046	Bulk/Regional Warehouse	100%
St. Louis, MO	1	22,411	Light Industrial	100%
Other(a)	1	332,465	Bulk Warehouse	100%
Total	26	3,124,775		

- (a) Property is located in Greenville, KY.

Property Development Activity

During 2008, we placed in-service seven developments totaling approximately 2.2 million square feet of GLA at a total cost of approximately \$102.1 million, or approximately \$46.41 per square foot. The developments placed in-service have the following characteristics:

Metropolitan Area	GLA	Property Type	Average Occupancy at 12/31/08
Miami, FL(a)	24,506	Light Industrial	N/A

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Milwaukee, WI	600,000	Bulk Warehouse	100%
Nashville, TN(a)	294,000	Bulk Warehouse	N/A
Nashville, TN(a)	50,000	Light Industrial	N/A
Nashville, TN	145,450	Bulk Warehouse	100%
Philadelphia, PA	675,000	Bulk Warehouse	100%
St. Louis, MO	400,828	Bulk Warehouse	100%
Total	2,189,784		

(a) Property was sold in 2008.

Table of Contents

At December 31, 2008, we had 13 development projects not placed in service, totaling an estimated 4.1 million square feet and with an estimated completion cost of approximately \$224.2 million. There can be no assurance that we will place these projects in service in 2009 or that the actual completion cost will not exceed the estimated completion cost stated above.

Property Sales

During 2008, we sold 114 industrial properties totaling approximately 9.1 million square feet of GLA and several land parcels. Total gross sales proceeds approximated \$583.2 million. The 114 industrial properties sold have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type
Atlanta, GA	2	117,706	Lt. Ind./Regional Warehouse
Baltimore, MD	2	132,228	Light Industrial
Chicago, IL	6	466,230	Lt. Ind./Bulk Warehouse
Cincinnati, OH	3	421,300	Bulk Warehouse
Dallas, TX	9	353,312	Lt. Ind./Bulk Warehouse
Denver, CO	9	1,256,313	Lt. Ind./Bulk/Regional Warehouse
Houston, TX	6	363,662	Lt. Ind./R&D/Flex/Bulk Warehouse
Indianapolis, IN	2	249,353	Lt. Ind./Bulk Warehouse
Los Angeles, CA	2	93,743	Lt. Ind./Regional Warehouse
Milwaukee, WI	2	125,000	Lt. Ind./Bulk Warehouse
Minneapolis/St. Paul, MN	13	1,316,653	Manufacturing/Lt. Ind./R&D/Flex/Bulk/Regional Warehouse
N. New Jersey	11	743,762	Lt. Ind./R&D/Flex/Bulk/Regional Whse
Nashville, TN	1	50,000	Light Industrial
Philadelphia, PA	18	963,995	Lt. Ind./R&D/Flex/Bulk/Regional Whse
Phoenix, AZ	1	22,978	Light Industrial
S. New Jersey	16	737,802	Manufacturing/Lt. Ind./Regional Warehouse
Salt Lake City, UT	3	369,446	Bulk Warehouse
St. Louis, MO	3	371,087	Bulk/Regional Warehouse
Tampa, FL	1	18,445	R&D/Flex
Other(a)	4	964,100	Manufacturing/Bulk Warehouse
Total	114	9,137,115	

(a) Properties are located in Kansas City, MO, Corinth, MS, Johnson County, KS and Portland, OR.

Property Acquisitions, Developments and Sales Subsequent to Year End

From January 1, 2009 to February 20, 2009, we acquired one land parcel for a total estimated investment of approximately \$0.2 million. There were no industrial properties sold during this period.

Table of Contents**Tenant and Lease Information**

We have a diverse base of more than 1,900 tenants engaged in a wide variety of businesses including manufacturing, retail, wholesale trade, distribution and professional services. Most leases have an initial term of between three and six years and provide for periodic rent increases that are either fixed or based on changes in the Consumer Price Index. Industrial tenants typically have net or semi-net leases and pay as additional rent their percentage of the property's operating costs, including the costs of common area maintenance, property taxes and insurance. As of December 31, 2008, approximately 92% of the GLA of our in-service properties was leased, and no single tenant or group of related tenants accounted for more than 2.6% of our rent revenues, nor did any single tenant or group of related tenants occupy more than 2.5% of the total GLA of our in-service properties as of December 31, 2008.

The following table shows scheduled lease expirations for all leases for our in-service properties as of December 31, 2008.

Year of Expiration(1)	Number of Leases Expiring	GLA Expiring(2)	Percentage of GLA Expiring(2) (In thousands)	Annual Base Rent Under Expiring Leases	Percentage of Total Annual Base Rent Expiring
2009	541	11,842,662	21%	51,265	20%
2010	465	9,712,050	17%	46,905	19%
2011	357	8,442,120	15%	41,750	17%
2012	226	6,605,935	12%	30,363	12%
2013	183	5,498,683	10%	27,719	11%
2014	64	2,730,863	5%	11,643	5%
2015	42	2,308,631	4%	8,465	3%
2016	25	1,918,892	4%	7,685	3%
2017	9	709,861	1%	3,600	1%
2018	22	1,094,783	2%	4,620	2%
Thereafter	27	4,711,591	9%	18,464	7%
Total	1,961	55,576,071	100%	\$ 252,479	100%

(1) Lease expirations as of December 31, 2008 assume tenants do not exercise existing renewal, termination or purchase options.

(2) Does not include existing vacancies of 5,004,179 aggregate square feet.

Item 3. Legal Proceedings

We are involved in legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material impact on the results of operations, financial position or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

The following table sets forth for the periods indicated the high and low closing prices per share and distributions declared per share for our common stock, which trades on the New York Stock Exchange under the trading symbol FR .

Quarter Ended	High	Low	Distribution Declared
December 31, 2008	\$ 28.39	\$ 5.10	\$ 0.2500
September 30, 2008	\$ 32.13	\$ 21.94	\$ 0.7200
June 30, 2008	\$ 32.68	\$ 27.47	\$ 0.7200
March 31, 2008	\$ 36.54	\$ 28.83	\$ 0.7200
December 31, 2007	\$ 42.71	\$ 34.60	\$ 0.7200
September 30, 2007	\$ 41.28	\$ 37.63	\$ 0.7100
June 30, 2007	\$ 45.77	\$ 38.76	\$ 0.7100
March 31, 2007	\$ 49.51	\$ 44.44	\$ 0.7100

We had 696 common stockholders of record registered with our transfer agent as of February 20, 2009.

We have estimated that, for federal income tax purposes, approximately 4.68% of the total \$104.2 million (which excludes \$2.7 million of distributions on unvested restricted stock which is treated as compensation expense for tax purposes) in common stock distributions declared in 2008 were classified as ordinary dividend income to our shareholders, 6.91% qualified as 15 percent rate qualified dividend income and 88.41% qualified as capital gain income.

Additionally, for tax purposes, an estimated 4.68% of our 2008 preferred stock dividends were ordinary income, 6.91% qualified as 15 percent rate qualified dividend income and 88.41% qualifying as capital gain income.

In order to comply with the REIT requirements of the Code, we are generally required to make common share distributions and preferred share dividends (other than capital gain distributions) to our shareholders in amounts that together at least equal i) the sum of a) 90% of our REIT taxable income computed without regard to the dividends paid deduction and net capital gains and b) 90% of net income (after tax), if any, from foreclosure property, minus ii) certain excess non-cash income. Under a recently issued revenue procedure, the IRS will allow us to treat a stock distribution to our shareholders in 2009, under a stock-or-cash election that meets specified conditions, including a minimum 10% cash distribution component, as a distribution qualifying for the dividends paid deduction. Our common share distribution policy is determined by our board of directors and is dependent on multiple factors, including cash flow and capital expenditure requirements, as well as ensuring that we meet the minimum distribution requirements set forth in the Code. We met the minimum distribution requirements with the common and preferred distributions made with respect to 2008. For 2009, we intend to meet our minimum distribution requirements.

During 2008, the Operating Partnership did not issue any Units.

Subject to lock-up periods and certain adjustments, Units of the Operating Partnership are convertible into common stock of the Company on a one-for-one basis or cash at the option of the Company.

Table of Contents**Equity Compensation Plans**

The following table sets forth information regarding our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders			1,179,500
Equity Compensation Plans Not Approved by Security Holders(1)	278,601	\$ 31.92	133,329
Total	278,601	\$ 31.92	1,312,829

(1) See Notes 4 and 15 of the Notes to Consolidated Financial Statements contained herein for a description of the plan.

Table of Contents**Performance Graph***

The following graph provides a comparison of the cumulative total stockholder return among the Company, the NAREIT Equity REIT Total Return Index (the NAREIT Index) and the Standard & Poor's 500 Index (S&P 500). The comparison is for the period from December 31, 2003 to December 31, 2008 and assumes the reinvestment of any dividends. The closing price for our Common Stock quoted on the NYSE at the close of business on December 31, 2003 was \$33.75 per share. The NAREIT Index includes REITs with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. Upon written request, we will provide stockholders with a list of the REITs included in the NAREIT Index. The historical information set forth below is not necessarily indicative of future performance. The following graph was prepared at our request by Research Data Group, Inc., San Francisco, California.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

	12/03	12/04	12/05	12/06	12/07	12/08
FIRST INDUSTRIAL REALTY TRUST, INC.	\$ 100.00	\$ 129.50	\$ 131.38	\$ 170.90	\$ 135.48	\$ 32.92
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
NAREIT Index	100.00	131.58	147.58	199.32	168.05	89.91

* The information provided in this performance graph shall not be deemed to be soliciting material, to be filed or to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 unless specifically treated as such.

Table of Contents**Item 6. Selected Financial Data**

The following sets forth selected financial and operating data for the Company on a historical consolidated basis. The following data should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The historical statements of operations for the years ended December 31, 2008, 2007, 2006, 2005 and 2004 include the results of operations of the Company as derived from our audited financial statements, adjusted for discontinued operations. The results of operations of properties sold are presented in discontinued operations if they met both of the following criteria: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposition and (b) we will not have any significant involvement in the operations of the property after the disposal transaction. The historical balance sheet data and other data as of December 31, 2008, 2007, 2006, 2005 and 2004 include the balances of the Company as derived from our audited financial statements.

	Year Ended 12/31/08	Year Ended 12/31/07	Year Ended 12/31/06	Year Ended 12/31/05	Year Ended 12/31/04
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(In thousands, except per share and property data)

Statement of Operations Data:

Total Revenues	\$ 526,294	\$ 380,262	\$ 300,183	\$ 241,573	\$ 192,742
Interest Income	3,690	1,926	1,614	1,486	3,632
Mark-to-Market (Loss) Gain on Settlement of Interest Rate Protection Agreements	(3,073)		(3,112)	811	1,583
Property Expenses	(124,963)	(110,438)	(97,989)	(78,377)	(64,443)
General and Administrative Expense	(84,627)	(92,101)	(77,497)	(55,812)	(39,569)
Restructuring Costs	(27,349)				
Interest Expense	(111,559)	(119,314)	(121,141)	(108,339)	(98,636)
Amortization of Deferred Financing Costs	(2,879)	(3,210)	(2,666)	(2,125)	(1,931)
Depreciation and Other Amortization	(161,027)	(137,429)	(115,009)	(80,580)	(58,052)
Construction Expenses	(139,539)	(34,553)	(10,263)	(15,574)	
Gain (Loss) from Early Retirement from Debt	2,749	(393)		82	(515)
Equity in (Loss) Income of Joint Ventures	(33,178)	30,045	30,673	3,699	37,301
Income Tax Benefit	12,259	10,653	9,935	14,343	8,195
Minority Interest Allocable to Continuing Operations	20,048	12,392	13,919	11,719	5,774
Loss from Continuing Operations	(123,154)	(62,160)	(71,353)	(67,094)	(13,919)
Income from Discontinued Operations (Including Gain on Sale of Real Estate of \$172,167, \$244,962, \$213,442, \$132,139 and \$88,245 for the Years Ended December 31, 2008, 2007, 2006, 2005, and 2004, respectively)	183,561	280,422	258,072	182,791	144,206

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Provision for Income Taxes Allocable to Discontinued Operations (Including \$3,732, \$36,032, \$47,511, \$20,529 and \$8,659 allocable to Gain on Sale of Real Estate for the Years ended December 31, 2008, 2007, 2006, 2005, and 2004, respectively)	(4,188)	(38,126)	(51,155)	(23,904)	(11,275)
Minority Interest Allocable to Discontinued Operations	(22,242)	(30,626)	(26,920)	(20,910)	(18,238)
Gain on Sale of Real Estate	12,008	9,425	6,071	29,550	16,755
Provision for Income Taxes Allocable to Gain on Sale of Real Estate	(3,782)	(3,082)	(2,119)	(10,871)	(5,359)
Minority Interest Allocable to Gain on Sale of Real Estate	(1,020)	(802)	(514)	(2,458)	(1,564)
Net Income	41,183	155,051	112,082	87,104	110,606
Preferred Dividends	(19,428)	(21,320)	(21,424)	(10,688)	(14,488)
Redemption of Preferred Stock		(2,017)	(672)		(7,959)
Net Income Available to Common Stockholders	\$ 21,755	\$ 131,714	\$ 89,986	\$ 76,416	\$ 88,159
Basic and Diluted Earnings Per Weighted Average Common Share Outstanding:					
Loss from Continuing Operations Available to Common Stockholders	\$ (3.13)	\$ (1.81)	\$ (2.05)	\$ (1.45)	\$ (0.65)
Net Income Available to Common Stockholders	\$ 0.50	\$ 2.99	\$ 2.04	\$ 1.80	\$ 2.17
Distributions Per Share	\$ 2.410	\$ 2.850	\$ 2.810	\$ 2.785	\$ 2.750
Basic and Diluted Weighted Average Number of Common Shares Outstanding	43,193	44,086	44,012	42,431	40,557
Net Income	\$ 41,183	\$ 155,051	\$ 112,082	\$ 87,104	\$ 110,606
Other Comprehensive (Loss) Income:					
Reclassification of Settlement of Interest Rate Protection Agreements to Net Income				(159)	
Mark-to-Market of Interest Rate Protection Agreements, Net of Tax	(8,676)	3,819	(2,800)	(1,414)	106
Amortization of Interest Rate Protection Agreements	(792)	(916)	(912)	(1,085)	(512)
Write-off of Unamortized Settlement Amounts of Interest Rate Protection Agreements	831				
Settlement of Interest Rate Protection Agreements		(4,261)	(1,729)		6,816

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Foreign Currency Translation Adjustment, Net of Tax	(2,792)	2,134			
Other Comprehensive Loss (Income) Allocable to Minority Interest	1,391	(142)	698	837	
Other Comprehensive Income	\$ 31,145	\$ 155,685	\$ 107,339	\$ 85,283	\$ 117,016

Table of Contents

	Year Ended 12/31/08	Year Ended 12/31/07	Year Ended 12/31/06	Year Ended 12/31/05	Year Ended 12/31/04
(In thousands, except per share and property data)					
Balance Sheet Data					
(End of Period):					
Real Estate, Before Accumulated Depreciation	\$ 3,385,597	\$ 3,326,268	\$ 3,219,728	\$ 3,260,761	\$ 2,856,474
Real Estate, After Accumulated Depreciation	2,862,489	2,816,287	2,754,310	2,850,195	2,478,091
Real Estate Held for Sale, Net	21,117	37,875	115,961	16,840	52,790
Total Assets	3,223,876	3,258,033	3,224,399	3,226,243	2,721,890
Mortgage Loans Payable, Net, Unsecured Lines of Credit and Senior Unsecured Debt, Net	2,036,978	1,946,670	1,834,658	1,813,702	1,574,929
Total Liabilities	2,237,128	2,183,755	2,048,873	2,020,361	1,719,463
Stockholders Equity	864,200	923,919	1,022,979	1,043,562	845,494
Other Data:					
Cash Flow From Operating Activities	\$ 71,185	\$ 92,989	\$ 59,551	\$ 49,350	\$ 77,657
Cash Flow From Investing Activities	6,274	126,909	129,147	(371,654)	9,992
Cash Flow From Financing Activities	(79,754)	(230,276)	(180,800)	325,617	(83,546)
Total In-Service Properties	728	804	858	884	827
Total In-Service GLA, in Square Feet	60,580,250	64,028,533	68,610,505	70,193,161	61,670,735
In-Service Occupancy Percentage	92%	95%	94%	92%	90%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Selected Financial Data and the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Form 10-K.

In addition, the following discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and

future prospects of the Company on a consolidated basis include, but are not limited to, changes in: international, national, regional and local economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of financing, interest rate, competition, supply and demand for industrial properties in our current and proposed market areas, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs and changes in general accounting principles, policies and guidelines applicable to real estate investment trusts and risks related to doing business internationally (including foreign currency exchange risks). These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect our financial results, is included in Item 1A. Risk Factors, and in our other filings with the Securities and Exchange Commission (the SEC).

The Company was organized in the state of Maryland on August 10, 1993. We are a REIT, as defined in the Code. We began operations on July 1, 1994. Our interests in our properties and land parcels are held through partnerships, corporations, and limited liability companies controlled, directly or indirectly, by us, including First Industrial, L.P. (the Operating Partnership), of which we are the sole general partner, as well as, among others, our taxable REIT subsidiary, First Industrial Investment, Inc. (the TRS), of which the Operating Partnership is the sole stockholder, all of whose operating data is consolidated with that of the Company as presented herein.

We also own minority equity interests in, and provide services to, seven joint ventures whose purpose is to invest in industrial properties (the 2003 Net Lease Joint Venture, the 2005 Development/Repositioning Joint Venture, the 2005 Core Joint Venture, the 2006 Net Lease Co-Investment Program, the 2006 Land/Development Joint Venture, the 2007 Canada Joint Venture, and the 2007 Europe Joint Venture; together the Joint Ventures). The Joint Ventures are accounted for under the equity method of accounting. One of the Joint Ventures, the 2007 Europe Joint Venture, does not own any properties and is inactive.

Table of Contents

The operating data of our Joint Ventures is not consolidated with that of the Company as presented herein.

We believe our financial condition and results of operations are, primarily, a function of our performance and our Joint Ventures' performance in four key areas: leasing of industrial properties, acquisition and development of additional industrial properties, redeployment of internal capital and access to external capital.

We generate revenue primarily from rental income and tenant recoveries from long-term (generally three to six years) operating leases of our industrial properties and our Joint Ventures' industrial properties. Such revenue is offset by certain property specific operating expenses, such as real estate taxes, repairs and maintenance, property management, utilities and insurance expenses, along with certain other costs and expenses, such as depreciation and amortization costs and general and administrative and interest expenses. Our revenue growth is dependent, in part, on our ability to (i) increase rental income, through increasing either or both occupancy rates and rental rates at our properties and our Joint Ventures' properties, (ii) maximize tenant recoveries and (iii) minimize operating and certain other expenses. Revenues generated from rental income and tenant recoveries are a significant source of funds, in addition to income generated from gains/losses on the sale of our properties and our Joint Ventures' properties (as discussed below), for our distributions. The leasing of property, in general, and occupancy rates, rental rates, operating expenses and certain non-operating expenses, in particular, are impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The leasing of property also entails various risks, including the risk of tenant default. If we were unable to maintain or increase occupancy rates and rental rates at our properties and our Joint Ventures' properties or to maintain tenant recoveries and operating and certain other expenses consistent with historical levels and proportions, our revenue growth would be limited. Further, if a significant number of our tenants and our Joint Ventures' tenants were unable to pay rent (including tenant recoveries) or if we or our Joint Ventures were unable to rent our properties on favorable terms, our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

Our revenue growth is also dependent, in part, on our ability and our Joint Ventures' ability to acquire existing, and acquire and develop new, additional industrial properties on favorable terms. The Company itself, and through our various Joint Ventures, continually seeks to acquire existing industrial properties on favorable terms, and, when conditions permit, also seeks to acquire and develop new industrial properties on favorable terms. Existing properties, as they are acquired, and acquired and developed properties, as they are leased, generate revenue from rental income, tenant recoveries and fees, income from which, as discussed above, is a source of funds for our distributions. The acquisition and development of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The acquisition and development of properties also entails various risks, including the risk that our investments and our Joint Ventures' investments may not perform as expected. For example, acquired existing and acquired and developed new properties may not sustain and/or achieve anticipated occupancy and rental rate levels. With respect to acquired and developed new properties, we may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties. Also, we, as well as our Joint Ventures, face significant competition for attractive acquisition and development opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private investors. Further, as discussed below, we and our Joint Ventures may not be able to finance the acquisition and development opportunities we identify. If we and our Joint Ventures were unable to acquire and develop sufficient additional properties on favorable terms, or if such investments did not perform as expected, our revenue growth would be limited and our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

We also generate income from the sale of our properties and our Joint Ventures' properties (including existing buildings, buildings which we or our Joint Ventures have developed or re-developed on a merchant basis, and land). The Company itself and through our various Joint Ventures is continually engaged in, and our income growth is dependent in part on, systematically redeploying capital from properties and other assets with lower yield potential

into properties and other assets with higher yield potential. As part of that process,

Table of Contents

we and our Joint Ventures sell, on an ongoing basis, select properties or land. The gain/loss on, and fees from, the sale of such properties are included in our income and are a significant source of funds, in addition to revenues generated from rental income and tenant recoveries, for our distributions. Also, a significant portion of our proceeds from such sales is used to fund the acquisition of existing, and the acquisition and development of new, industrial properties. The sale of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The sale of properties also entails various risks, including competition from other sellers and the availability of attractive financing for potential buyers of our properties and our Joint Ventures properties. Further, our ability to sell properties is limited by safe harbor rules applying to REITs under the Code which relate to the number of properties that may be disposed of in a year, their tax bases and the cost of improvements made to the properties, along with other tests which enable a REIT to avoid punitive taxation on the sale of assets. If we and our Joint Ventures were unable to sell properties on favorable terms, our income growth would be limited and our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

We utilize a portion of the net sales proceeds from property sales, borrowings under our unsecured line of credit (the Unsecured Line of Credit) and proceeds from the issuance when and as warranted, of additional debt and equity securities to finance future acquisitions and developments and to fund our equity commitments to our Joint Ventures. Access to external capital on favorable terms plays a key role in our financial condition and results of operations, as it impacts our cost of capital and our ability and cost to refinance existing indebtedness as it matures and to fund acquisitions, developments and contributions to our Joint Ventures or through the issuance, when and as warranted, of additional equity securities. Our ability to access external capital on favorable terms is dependent on various factors, including general market conditions, interest rates, credit ratings on our capital stock and debt, the market's perception of our growth potential, our current and potential future earnings and cash distributions and the market price of our capital stock. If we were unable to access external capital on favorable terms, our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

Current Business Risks and Uncertainties

The real estate markets have been significantly impacted by the continued deterioration of the global credit markets. The current recession has resulted in downward pressure on our net operating income and has impaired our ability to sell properties.

Our Unsecured Line of Credit and the indentures under which our senior unsecured indebtedness is, or may be, issued contain certain financial covenants, including, among other things, debt service coverage and fixed charge coverage ratios, as well as limitations on our ability to incur secured and unsecured indebtedness. Consistent with our prior practice, we will, in the future, continue to interpret and certify our performance under these covenants in a good faith manner that we deem reasonable and appropriate. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our lenders in a manner that could impose and cause us to incur material costs. Any violation of these covenants would subject us to higher finance costs and fees, or accelerated maturities. In addition, our credit facilities and senior debt securities contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. Under the Unsecured Line of Credit, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement.

We believe that we were in compliance with our financial covenants as of December 31, 2008, and we anticipate that we will be able to operate in compliance with our financial covenants in 2009. However, our ability to meet our financial covenants may be reduced if 2009 economic and credit market conditions limit our property sales and reduce

our net operating income below our projections. We expect to refinance indebtedness maturing in 2009 and to comply with our financial covenants in 2009 and beyond. We plan to enhance our liquidity through a combination of capital retention, mortgage financing and asset sales.

Table of Contents

Retained Capital We plan to retain capital by adjusting our dividend policy to distribute the minimum amount required to maintain our REIT status. We will not pay a dividend in April 2009 and may not pay common dividends in future quarters in 2009 depending on our taxable income. If we are required to pay common stock dividends in 2009, we may elect to satisfy this obligation by distributing a combination of cash and common shares.

Mortgage Financing In June 2009, we have \$125.0 million of unsecured debt maturing, and in July 2009 we have \$5.0 million of secured mortgage debt maturing. We are in active discussions with various lenders regarding the origination of mortgage financing. The total loan proceeds are expected to be sufficient to meet these maturities. No assurances can be made that new secured financing will be obtained. If we fail to timely retire our maturing debt, we will be in default under our Unsecured Line of Credit and our senior unsecured debt securities.

Asset Sales We are in various stages of discussions with third parties for the sale of properties during the three months ended March 31, 2009, and plan to continue to market other properties for sale throughout 2009. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

In addition, we may from time to time repurchase or redeem our outstanding securities. Any repurchases or redemptions would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repurchases or redemptions may materially impact our liquidity, future tax liability and results of operations.

Although we believe we will be successful in meeting our liquidity needs through a combination of capital retention, mortgage financing and asset sales, if we were to be unsuccessful in executing one or more of the strategies outlined above, we would be materially adversely effected.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in more detail in Note 4 to the consolidated financial statements. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

We maintain an allowance for doubtful accounts which is based on estimates of potential losses which could result from the inability of our tenants to satisfy outstanding billings with us. The allowance for doubtful accounts is an estimate based on our assessment of the creditworthiness of our tenants.

Properties are classified as held for sale when all criteria within Financial Accounting Standards Board's (the FASB) Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* (SFAS 144) are met for such properties. When properties are classified as held for sale, we cease depreciating the properties and estimate the values of such properties and measure them at the lower of depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, we decide not to sell a property previously classified as held for sale, we will reclassify such property as held and used. We estimate the value of such property and measure it at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. Fair value is determined by deducting from the estimated sales price of the property the estimated costs to close the sale.

We review our properties on a periodic basis for possible impairment and provide a provision if impairments are determined. We utilize the guidelines established under SFAS 144 to determine if impairment conditions exist. We review the expected undiscounted cash flows of each property to determine if there are any indications of impairment. If the expected undiscounted cash flows of a particular property are less than the net book basis of the property, we will recognize an impairment charge equal to the amount of carrying value of the property that exceeds the fair value of the property. Fair value is determined by discounting the future expected cash flows of the property. The calculation

Table of Contents

of the fair value involves subjective assumptions such as estimated occupancy, rental rates, ultimate residual value and the discount rate used to present value the cash flows.

We analyze our investments in Joint Ventures to determine whether the joint venture should be accounted for under the equity method of accounting or consolidated into our financial statements based on standards set forth under SFAS Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, EITF 96-16, *Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights* and Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*. Based on the guidance set forth in these pronouncements, we do not consolidate any of our joint venture investments because either the joint venture has been determined to be a variable interest entity but we are not the primary beneficiary or the joint venture has been determined not to be a variable interest entity and we lack control of the joint venture. Our assessment of whether we are the primary beneficiary of a variable interest involves the consideration of various factors including the form of our ownership interest, our representation on the entity's governing body, the size of our investment and future cash flows of the entity.

On a periodic basis, we assess whether there are any indicators that the value of our investments in Joint Ventures may be impaired in accordance with APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB 18). An investment is impaired only if our estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each investment are based on a number of subjective assumptions that are subject to economic and market uncertainties including, among others, demand for space, market rental rates and operating costs, the discount rate used to value the cash flows of the properties and the discount rate used to value the Joint Ventures' debt.

We capitalize (direct and certain indirect) costs incurred in developing, renovating, acquiring and rehabilitating real estate assets as part of the investment basis. Costs incurred in making certain other improvements are also capitalized. During the land development and construction periods, we capitalize interest costs, real estate taxes and certain general and administrative costs of the personnel performing development, renovations or rehabilitation up to the time the property is substantially complete. The determination and calculation of certain costs requires estimates by us. Amounts included in capitalized costs are included in the investment basis of real estate assets.

We are engaged in the acquisition of individual properties as well as multi-property portfolios. In accordance with SFAS No. 141, *Business Combinations*, we are required to allocate purchase price between land, building, tenant improvements, leasing commissions, in-place leases, tenant relationship and above and below market leases. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) our estimate of fair market lease rents for each corresponding in-place lease. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental income. In-place lease and tenant relationship values for acquired properties are recorded based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. The value allocated to in-place lease intangible assets is amortized to depreciation and amortization expense over the remaining lease term of the respective lease. The value allocated to tenant relationship is amortized to depreciation and amortization expense over the expected term of the relationship, which includes an estimate of the probability of lease renewal and its estimated term. We also must allocate purchase price on multi-property portfolios to individual properties. The allocation of purchase price is based on our assessment

of various characteristics of the markets where the property is located and the expected cash flows of the property.

Table of Contents

In the preparation of our consolidated financial statements, significant management judgment is required to estimate our current and deferred income tax liabilities, and our compliance with REIT qualification requirements. Our estimates are based on our interpretation of tax laws. These estimates may have an impact on the income tax expense recognized. Adjustments may be required by a change in assessment of our deferred income tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, our inability to qualify as a REIT, and changes in tax laws. Adjustments required in any given period are included within the income tax provision.

In assessing the need for a valuation allowance against our deferred tax assets, we estimate future taxable income, considering the feasibility of ongoing tax planning strategies and the realizability of tax loss carryforwards. In the event we were to determine that we would not be able to realize all or a portion of our deferred tax assets in the future, we would reduce such amounts through a charge to income in the period in which that determination is made. Conversely, if we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net carrying amounts, we would decrease the recorded valuation allowance through an increase to income in the period in which that determination is made.

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007

Our net income available to common stockholders was \$21.8 million and \$131.7 million for the years ended December 31, 2008 and 2007, respectively. Basic and diluted net income available to common stockholders were \$0.50 per share for the year ended December 31, 2008 and \$2.99 per share for the year ended December 31, 2007.

The tables below summarize our revenues, property expenses and depreciation and other amortization by various categories for the year ended December 31, 2008 and December 31, 2007. Same store properties are properties owned prior to January 1, 2007 and held as an operating property through December 31, 2008 and developments and redevelopments that were placed in service prior to January 1, 2007 or were substantially completed for the 12 months prior to January 1, 2007. Properties are placed in service as they reach stabilized occupancy (generally defined as 90% occupied). Acquired properties are properties that were acquired subsequent to December 31, 2006 and held as an operating property through December 31, 2008. Sold properties are properties that were sold subsequent to December 31, 2006. (Re)Developments and land are land parcels and developments and redevelopments that were not: a) substantially complete 12 months prior to January 1, 2007 or b) stabilized prior to January 1, 2007. Other revenues are derived from the operations of our maintenance company, fees earned from our Joint Ventures and other miscellaneous revenues. Construction revenues and expenses represent revenues earned and expenses incurred in connection with the TRS acting as general contractor or development manager to construct industrial properties, including industrial properties for the 2005 Development/Repositioning Joint Venture, and also include revenues and expenses related to the development of properties for third parties. Other expenses are derived from the operations of our maintenance company and other miscellaneous regional expenses.

Our future financial condition and results of operations, including rental revenues, may be impacted by the future acquisition and sale of properties. Our future revenues and expenses may vary materially from historical rates.

For the years ended December 31, 2008 and December 31, 2007, the occupancy rates of our same store properties were 91.1% and 91.7%, respectively.

Table of Contents

	2008	2007	\$ Change	%
			(\$ in 000 s)	Change
REVENUES				
Same Store Properties	\$ 288,329	\$ 281,350	\$ 6,979	2.5%
Acquired Properties	47,138	19,408	27,730	142.9%
Sold Properties	27,150	96,536	(69,386)	(71.9)%
(Re)Developments and Land, Not Included Above	16,475	9,086	7,389	81.3%
Other	28,896	36,888	(7,992)	(21.7)%
	\$ 407,988	\$ 443,268	\$ (35,280)	(8.0)%
Discontinued Operations	(28,993)	(98,634)	69,641	(70.6)%
Subtotal Revenues	\$ 378,995	\$ 344,634	\$ 34,361	10.0%
Construction Revenues	147,299	35,628	111,671	313.4%
Total Revenues	\$ 526,294	\$ 380,262	\$ 146,032	38.4%

Revenues from same store properties increased \$7.0 million due primarily to an increase in rental rates and an increase in tenant recoveries, partially offset by a decrease in occupancy. Revenues from acquired properties increased \$27.7 million due to the 131 industrial properties acquired subsequent to December 31, 2006 totaling approximately 11.7 million square feet of GLA, as well as an acquisition of land parcels in September and October 2008 for which we receive ground rents. Revenues from sold properties decreased \$69.4 million due to the 278 industrial properties sold subsequent to December 31, 2006 totaling approximately 22.8 million square feet of GLA. Revenues from (re)developments and land increased \$7.4 million due to an increase in occupancy. Other revenues decreased by approximately \$8.0 million due primarily to a decrease in fees earned from our Joint Ventures and a decrease in fees earned related to us assigning our interest in certain purchase contracts to third parties for consideration. Construction revenues increased \$111.7 million for the year ended December 31, 2008 due primarily to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

	2008	2007	\$ Change	%
			(\$ in 000 s)	Change
PROPERTY AND CONSTRUCTION EXPENSES				
Same Store Properties	\$ 92,937	\$ 87,065	\$ 5,872	6.7%
Acquired Properties	15,367	4,952	10,415	210.3%
Sold Properties	9,531	29,975	(20,444)	(68.2)%
(Re) Developments and Land, Not Included Above	7,360	4,914	2,446	49.8%
Other	10,422	16,603	(6,181)	(37.2)%
	\$ 135,617	\$ 143,509	\$ (7,892)	(5.5)%
Discontinued Operations	(10,654)	(33,071)	22,417	(67.8)%

Property Expenses	\$ 124,963	\$ 110,438	\$ 14,525	13.2%
Construction Expenses	139,539	34,553	104,986	303.8%
Total Property and Construction Expenses	\$ 264,502	\$ 144,991	\$ 119,511	82.4%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance, other property related expenses and construction expenses. Property expenses from same store properties increased \$5.9 million due primarily to an increase in real estate tax expense, bad debt expense and repairs and maintenance expense. Property expenses from acquired properties increased by \$10.4 million due to properties acquired subsequent to December 31, 2006. Property expenses from sold properties decreased by

Table of Contents

\$20.4 million due to properties sold subsequent to December 31, 2006. Property expenses from (re)developments and land increased \$2.4 million due to an increase in the substantial completion of developments. Expenses are no longer capitalized to the basis of a property once the development is substantially complete. The \$6.2 million decrease in other expense is primarily attributable to a decrease in incentive compensation expense. Construction expenses increased \$105.0 million for the year ended December 31, 2008 due primarily to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

General and administrative expense decreased \$7.5 million, or 8.1%, due to a decrease in incentive compensation.

For the year ended December 31, 2008, we incurred \$27.3 million in restructuring charges related to employee severance and benefits (\$24.8 million), costs associated with the termination of certain office leases (\$1.2 million) and contract cancellation and other costs (\$1.3 million) related to our restructuring plan to reduce overhead costs. We anticipate a reduction of general and administrative expense in 2009 as a result of the employee terminations and office closings.

2008	2007	\$ Change	% Change
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