

DUKE REALTY CORP
Form 10-K
March 01, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

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: 1-9044

DUKE REALTY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|--|
| Indiana (State or Other Jurisdiction of Incorporation or Organization) | 35-1740409 (IRS Employer Identification Number) |
|---|--|

600 East 96th Street, Suite 100

| | |
|--|----------------------------|
| Indianapolis, Indiana (Address of Principal Executive Offices) | 46240 (Zip Code) |
|--|----------------------------|

Registrant's telephone number, including area code: (317) 808-6000

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class: | Name of Each Exchange on Which Registered: |
|--------------------------------|--|
| Common Stock (\$.01 par value) | New York Stock Exchange New York Stock Exchange |

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| | |
|--|-------------------------|
| Depository Shares, each representing a 1/10 interest in a 6.625% Series J Cumulative Redeemable Preferred Share (\$.01 par value) | |
| Depository Shares, each representing a 1/10 interest in a 6.5% Series K Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing a 1/10 interest in a 6.6% Series L Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing 1/10 interest in a 6.95% Series M Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing 1/10 interest in a 7.25% Series N Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing a 1/10 interest in an 8.375% Series O Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 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 definition 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

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 shares of the registrant's outstanding common shares held by non-affiliates of the registrant is \$2.0 billion based on the last reported sale price on June 30, 2009.

The number of common shares, \$.01 par value outstanding as of February 22, 2010 was 224,246,609.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Duke Realty Corporation's Definitive Proxy Statement for its 2010 Annual Meeting of Shareholders (the Proxy Statement) to be filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended, are incorporated by reference into this Form 10-K. Other than those portions of the Proxy Statement specifically incorporated by reference pursuant to Items 10 through 14 of Part III hereof, no other portions of the Proxy Statement shall be deemed so incorporated.

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IMPORTANT INFORMATION ABOUT THIS REPORT

In this Report, the words Duke, the Company, we, us and our refer to Duke Realty Corporation and its subsidiaries as well as Duke Realty Corporation's predecessors and their subsidiaries. DRLP refers to our subsidiary, Duke Realty Limited Partnership.

Cautionary Notice Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Annual Report on Form 10-K (this Report), including, without limitation, those related to our future operations, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words believe, estimate, expect, anticipate, intend, plan, seek, may and similar statements regarding future periods are intended to identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this Report or in the information incorporated by reference into this Report. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

Changes in general economic and business conditions, including, without limitation, the continuing impact of the economic down-turn, which is having and may continue to have a negative effect on the fundamentals of our business, the financial condition of our tenants, and the value of our real estate assets;

Our continued qualification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;

Heightened competition for tenants and potential decreases in property occupancy;

Potential increases in real estate construction costs;

Potential changes in the financial markets and interest rates;

Volatility in our stock price and trading volume;

Our continuing ability to raise funds on favorable terms;

Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;

Our ability to be flexible in the development and operation of joint venture properties;

Our ability to successfully dispose of properties on terms that are favorable to us;

Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and

Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (SEC). Although we presently believe that the plans, expectations and results expressed in or suggested by the forward-looking statements are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

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This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included under the caption **Risk Factors** in this Report, and is updated by us from time to time in Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the SEC.

PART I

Item 1. Business

Background

We are a self-administered and self-managed REIT, which began operations upon completion of our initial public offering in February 1986. In October 1993, we completed an additional common stock offering and acquired the rental real estate and service businesses of Duke Associates, whose operations began in 1972. As of December 31, 2009, our diversified portfolio of 762 rental properties (including 211 jointly controlled in-service properties with more than 43.2 million square feet, four consolidated properties under development with approximately 663,000 square feet and three jointly controlled properties under development with more than 957,000 square feet) encompasses approximately 135.4 million rentable square feet and is leased by a diverse base of approximately 3,500 tenants whose businesses include manufacturing, retailing, wholesale trade, distribution, healthcare and professional services. We also own, including through ownership interests in unconsolidated joint ventures, approximately 5,000 acres of land and control an additional 1,900 acres through purchase options.

We refined our business strategy in 2009, which includes planned reductions in undeveloped land inventory in light of lower anticipated development volume and the targeting of non-strategic property dispositions. These decisions further align our focus on markets that we believe offer the best long-term prospects for rental rate growth and overall demand with an emphasis on industrial and medical office properties. Additionally, we no longer plan to develop properties with the intent to sell them at or near completion.

Through our Service Operations reportable segment, we have historically developed or acquired properties with the intent to sell (hereafter referred to as **Build-for-Sale** properties). **Build-for-Sale** properties were generally identified as such prior to construction commencement and were sold within a relatively short time after being placed in service. **Build-for-Sale** properties, which are no longer part of our operating strategy, did not represent a significant component of our operations in 2009.

Our Service Operations also provide, on a fee basis, leasing, property and asset management, development, construction, build-to-suit and other tenant-related services. We conduct our Service Operations through Duke Realty Services LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership. Our Rental Operations are conducted through Duke Realty Limited Partnership. See Item 7, **Management's Discussion and Analysis of Financial Condition and Results of Operations** and Item 8, **Financial Statements and Supplementary Data** for financial information related to our reportable segments.

Our headquarters and executive offices are located in Indianapolis, Indiana. In addition, we have 17 regional offices located in Alexandria, Virginia; Atlanta, Georgia; Baltimore, Maryland; Chicago, Illinois; Cincinnati, Ohio; Columbus, Ohio; Dallas, Texas; Houston, Texas; Minneapolis, Minnesota; Nashville, Tennessee; Orlando, Florida; Phoenix, Arizona; Raleigh, North Carolina; St. Louis, Missouri; Savannah, Georgia; Tampa, Florida; and Weston, Florida. We had approximately 1,000 employees as of December 31, 2009.

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Operational Objectives

Our primary operational objective is to drive operational efficiencies, by maximizing cash from operations and Funds From Operations (FFO), through (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) selectively developing and acquiring new properties for rental operations in our existing markets when economic conditions improve or when accretive returns are present; (iii) using our construction expertise to act as a general contractor or construction manager in our existing markets and other domestic markets on a fee basis; and (iv) providing a full line of real estate services to our tenants and to third parties. FFO is used by industry analysts and investors as a supplemental operating performance measure of an equity REIT like Duke. The National Association of Real Estate Investment Trusts (NAREIT) created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with accounting principles generally accepted in the United States of America (GAAP). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated basic FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of FFO attributable to common shareholders, combined with net income (which remains the required primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies.

As a fully integrated commercial real estate firm, we provide in-house leasing, management, development and construction services which, coupled with our significant base of commercially zoned and unencumbered land in existing business parks, should give us a competitive advantage both as a real estate operator and in future development activities.

We believe that the management of real estate opportunities and risks can be done most effectively at regional or local levels. As a result, we intend to continue our emphasis on increasing our market share and effective rents in the primary markets where we own properties. We believe that this regional focus will allow us to assess market supply and demand for real estate more effectively as well as to capitalize on the strong relationships with our tenant base. In addition, we seek to further capitalize on strong customer relationships to provide third-party construction services across the United States. As a fully integrated real estate company, we are able to arrange for or provide to our industrial, office and medical office customers not only well located and well maintained facilities, but also additional services such as build-to-suit construction, tenant finish construction, and expansion flexibility.

All of our properties are located in areas that include competitive properties. Institutional investors, other REITs or local real estate operators generally own such properties; however, no single competitor or small group of competitors is dominant in our current markets. The supply and demand of similar available rental properties may affect the rental rates we will receive on our properties. Other competitive factors include the attractiveness of the property location, the quality of the property and tenant services provided, and the reputation of the owner and operator. In addition, our Service Operations face competition from a considerable number of other real estate companies that provide comparable services, some of whom may have greater marketing and financial resources than are available to us.

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Capital Strategy

Our strategy is to actively manage the components of our capital structure, in conjunction with the execution of our overall operating strategy, while continuing to maintain investment grade ratings from our credit rating agencies and to ultimately improve the key metrics that drive these credit ratings.

In support of our capital strategy, as well as our overall business strategy, we employ an asset disposition program to sell non-strategic real estate assets, which generates proceeds that can be recycled into new properties that better fit our growth objectives in industrial and medical office properties or can be utilized to reduce our leverage.

We seek to reduce leverage and strengthen our balance sheet by maintaining a balanced and flexible capital structure which includes: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) issuing common equity from time-to-time to maintain appropriate leverage parameters; and (iv) generating proceeds from the sale of non-strategic properties. By focusing on strengthening our balance sheet, we expect to be well-positioned for future growth.

In addition, as discussed under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, we have an \$850.0 million unsecured line of credit available for our capital needs.

Corporate Governance

Since our inception, we not only have strived to be a top-performer operationally, but also to lead in issues important to investors such as disclosure and corporate governance. Our system of governance reinforces this commitment. Summarized below are the highlights of our Corporate Governance initiatives.

Board Composition Our Board is controlled by supermajority (91.7%) of Independent Directors, as such term is defined under the rules of the New York Stock Exchange (the NYSE) as of January 30, 2010 and thereafter

Board Committees Our Board Committee members are all Independent Directors

Lead Director The Chairman of our Corporate Governance Committee serves as Lead Director of the Independent Directors

Board Policies No Shareholder Rights Plan (Poison Pill)

Code of Conduct applies to all Directors and employees, including the Chief Executive Officer and senior financial officers; waivers require the vote of a majority of our Board of Directors or our Corporate Governance Committee.

Effective orientation program for new Directors

Independence of Directors is reviewed annually

Independent Directors meet at least quarterly in executive sessions

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Independent Directors receive no compensation from Duke other than as Directors

Equity-based compensation plans require shareholder approval

Board effectiveness and performance is reviewed annually by our Corporate Governance Committee

Corporate Governance Committee conducts an annual review of the Chief Executive Officer succession plan

Independent Directors and all Board Committees may retain outside advisors, as they deem appropriate

Policy governing retirement age for Directors

Prohibition on repricing of outstanding stock options

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Directors required to offer resignation upon job change

Majority voting for election of Directors

Shareholder Communications Policy

Ownership Minimum Stock Ownership Guidelines apply to all Directors and Executive Officers. Our Code of Conduct (which applies to all Directors and employees, including the Chief Executive Officer and senior financial officers) and the Corporate Governance Guidelines are available in the Investor Relations/Corporate Governance section of our website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

Additional Information

For additional information regarding our investments and operations, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data. For additional information about our business segments, see Item 8, Financial Statements and Supplementary Data.

Available Information and Exchange Certifications

In addition to this Report, we file quarterly and special reports, proxy statements and other information with the SEC. All documents that are filed with the SEC are available free of charge on our corporate website, which is www.dukerealty.com. We are not incorporating the information on our website into this Report, and our website and the information appearing on our website is not included in, and is not part of, this Report. You may also read and copy any document filed at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's Interactive Data Electronic Application (IDEA) via the SEC's home page on the Internet (<http://www.sec.gov>). In addition, since some of our securities are listed on the NYSE, you may read our SEC filings at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

The NYSE requires that the Chief Executive Officer of each listed company certify annually to the NYSE that he or she is not aware of any violation by the company of NYSE corporate governance listing standards as of the date of such certification. We submitted the certification of our Chairman and Chief Executive Officer, Dennis D. Oklak, with our 2009 Annual Written Affirmation to the NYSE on May 13, 2009.

We included the certifications of our Chief Executive Officer and our Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of the Company's public disclosure, in this Report as Exhibits 31.1 and 31.2.

Item 1A. Risk Factors

In addition to the other information contained in this Report, you should carefully consider, in consultation with your legal, financial and other professional advisors, the risks described below, as well as the risk factors and uncertainties discussed in our other public filings with the SEC under the caption "Risk Factors" in evaluating us and our business before making a decision regarding an investment in our securities.

The risks contained in this Report are not the only risks that we face. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material adverse effect on our financial condition, results of operations, business and prospects. The trading price of our securities could decline due to the materialization of any of these risks, and our shareholders may lose all or part of their investment.

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This Report also contains forward-looking statements that may not be realized as a result of certain factors, including, but not limited to, the risks described herein and in our other public filings with the SEC. Please refer to the section in this Report entitled *Cautionary Notice Regarding Forward-Looking Statements* for additional information regarding forward-looking statements.

Risks Related to Our Business

Our use of debt financing could have a material adverse effect on our financial condition.

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required principal and interest payments and the long-term risk that we will be unable to refinance our existing indebtedness, or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. Additionally, we may not be able to refinance borrowings at our unconsolidated subsidiaries on favorable terms or at all. If our debt cannot be paid, refinanced or extended, we may not be able to make distributions to shareholders at expected levels. Further, if prevailing interest rates or other factors at the time of a refinancing result in higher interest rates or other restrictive financial covenants upon the refinancing, then such refinancing would adversely affect our cash flow and funds available for operation, development and distribution.

We are also subject to financial covenants under our existing debt instruments. Should we fail to comply with the covenants in our existing debt instruments, then we would not only be in breach under the applicable debt instruments but we would also likely be unable to borrow any further amounts under our other debt instruments, which could adversely affect our ability to fund operations. We also have incurred, and may incur in the future, indebtedness that bears interest at variable rates. Thus, if market interest rates increase, so will our debt expense, which could reduce our cash flow and our ability to make distributions to shareholders at expected levels.

Debt financing may not be available and equity issuances could be dilutive to our shareholders.

Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt financing may not be available over a longer period of time in sufficient amounts, on favorable terms or at all. If we issue additional equity securities, instead of debt, to manage capital needs, the interests of our existing shareholders could be diluted.

Financial and other covenants under existing credit agreements could limit our flexibility and adversely affect our financial condition.

The terms of our various credit agreements and other indebtedness require that we comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow would be adversely affected.

If we are unable to generate sufficient capital and liquidity, then we may be unable to pursue future development projects and other strategic initiatives.

To complete our ongoing and planned development projects, and to pursue our other strategic initiatives, we must continue to generate sufficient capital and liquidity to fund those activities. To generate that capital and liquidity, we

rely upon funds from our existing operations, as well as funds that we raise through our capital raising activities. In the event that we are unable to generate sufficient capital and liquidity to meet our long-term needs, or if we are unable to generate capital and liquidity on terms that are favorable to us, then we may not be able to pursue development projects, acquisitions, or our other long-term strategic initiatives.

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Our stock price and trading volume may be volatile, which could result in substantial losses to our shareholders.

The market price of our common and preferred stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price, or result in fluctuations in the price or trading volume of our common stock, include recent uncertainty in the markets, general market and economic conditions, as well as those factors described in these Risk Factors and in other reports that we file with the SEC.

Many of these factors are beyond our control, and we cannot predict their potential effects on the price of our common and preferred stock. If the market prices of our common and preferred stock decline, then our shareholders may be unable to resell their shares upon terms that are attractive to them. We cannot assure that the market price of our common and preferred stock will not fluctuate or decline significantly in the future. In addition, the securities markets in general may experience considerable unexpected price and volume fluctuations.

We may issue debt and equity securities which are senior to our common stock and preferred stock as to distributions and in liquidation, which could negatively affect the value of our common and preferred stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by certain of our assets, or issuing debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or common stock. In the event of our liquidation, our lenders and holders of our debt securities would receive a distribution of our available assets before distributions to the holders of our common stock and preferred stock. Our preferred stock has a preference over our common stock with respect to distributions and upon liquidation, which could further limit our ability to make distributions to our common shareholders. Any additional preferred stock that we may issue may have a preference over our common stock and existing series of preferred stock with respect to distributions and upon liquidation.

We may be required to seek commercial credit and issue debt securities to manage our capital needs. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, our shareholders will bear the risk of our future offerings reducing the value of their shares of common stock and diluting their interest in us.

Our use of joint ventures may limit our flexibility with jointly owned investments.

We currently have joint ventures that are not consolidated with our financial statements. We may develop and acquire properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. Our participation in joint ventures is subject to the risks that:

We could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop or operate a property;

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Our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties;

Our joint venture partners may have competing interests in our markets that could create conflict of interest issues; and

Maturities of debt encumbering our jointly owned investments may not be able to be refinanced at all or on terms that are as favorable as the current terms.

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Risks Related to the Real Estate Industry

Our net earnings available for investment or distribution to shareholders could decrease as a result of factors related to the ownership and operation of commercial real estate that are outside of our control.

Our business is subject to the risks incident to the ownership and operation of commercial real estate, many of which involve circumstances not within our control. Such risks include the following:

Changes in the general economic climate;

The availability of capital on favorable terms, or at all;

Increases in interest rates;

Local conditions such as oversupply of property or a reduction in demand;

Competition for tenants;

Changes in market rental rates;

Oversupply or reduced demand for space in the areas where our properties are located;

Delay or inability to collect rent from tenants who are bankrupt, insolvent or otherwise unwilling or unable to pay;

Difficulty in leasing or re-leasing space quickly or on favorable terms;

Costs associated with periodically renovating, repairing and reletting rental space;

Our ability to provide adequate maintenance and insurance on our properties;

Our ability to control variable operating costs;

Changes in government regulations; and

Potential liability under, and changes in, environmental, zoning, tax and other laws.

Further, a significant portion of our costs, such as real estate taxes, insurance and maintenance costs and our debt service payments, are generally not reduced when circumstances cause a decrease in cash flow from our properties. Any one or more of these factors could result in a reduction in our net earnings available for investment or distribution to shareholders.

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

Our financial results depend on leasing space in our real estate to tenants on terms favorable to us. Our income and funds available for distribution to our shareholders will decrease if a significant number of our tenants cannot meet their lease obligations to us 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.

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Our real estate development activities are subject to risks particular to development.

Although we have significantly reduced our development activities, we may still pursue select opportunities and have previously started developments that are currently in various stages of completion. These development activities generally require various government and other approvals, which we may not receive. In addition, we also are subject to the following risks associated with development activities:

Unsuccessful development opportunities could result in direct expenses to us;

Construction costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or possibly unprofitable;

Time required to complete the construction of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;

Occupancy rates and rents of a completed project may not be sufficient to make the project profitable;

Our ability to dispose of properties developed with the intent to sell or other properties we identify for sale could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and

Favorable sources to fund our development activities may not be available.

We may be unsuccessful in operating completed real estate projects.

We face the risk that the real estate projects we develop or acquire will not perform in accordance with our expectations. This risk exists because of factors such as the following:

Prices paid for acquired facilities are based upon a series of market judgments; and

Costs of any improvements required to bring an acquired facility up to standards to establish the market position intended for that facility might exceed budgeted costs.

Further, we can give no assurance that acquisition targets meeting our guidelines for quality and yield will be available, should we seek them.

We are exposed to the risks of defaults by tenants.

Any of our tenants may experience a downturn in their businesses that may weaken their financial condition. In the event of default or the insolvency of a significant number of our tenants, we may experience a substantial loss of

rental revenue and/or delays in collecting rent and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy protection, a court could allow the tenant to reject and terminate its lease with us. Our income and distributable cash flow would be adversely affected if a significant number of our tenants became unable to meet their obligations to us, became insolvent or declared bankruptcy.

We may be unable to renew leases or relet space.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if our tenants do renew or we are able to relet the space, the terms of renewal or reletting (including the cost of renovations, if necessary) may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the space, or if the rental rates upon such renewal or reletting are significantly lower than current rates, then our income and distributable cash flow would be adversely affected, especially if we were unable to lease a significant amount of the space vacated by tenants in our properties.

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Our insurance coverage on our properties may be inadequate.

We maintain comprehensive insurance on each of our facilities, including property, liability, fire, flood and extended coverage. We believe this coverage is of the type and amount customarily obtained for real property. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods or acts of war or terrorism that may be uninsurable or not economically insurable. We use our discretion when determining amounts, coverage limits and deductibles for insurance. These terms are determined based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that in the event of a substantial loss would not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also may make it unfeasible to use insurance proceeds to replace a facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds we receive may not be adequate to restore our economic position in a property. If an insured loss occurred, we could lose both our investment in and anticipated profits and cash flow from a property, and we would continue to be obligated on any mortgage indebtedness or other obligations related to the property. Although we believe our insurance is with highly rated providers, we are also subject to the risk that such providers may be unwilling or unable to pay our claims when made.

Acquired properties may expose us to unknown liability.

From time to time, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:

liabilities for clean-up of undisclosed environmental contamination;

claims by tenants, vendors or other persons against the former owners of the properties;

liabilities incurred in the ordinary course of business; and

claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We could be exposed to significant environmental liabilities as a result of conditions of which we currently are not aware.

As an owner and operator of real property, we may be liable under various federal, state and local laws for the costs of removal or remediation of certain hazardous substances released on or in our property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. In addition, we could have greater difficulty in selling real estate on which hazardous substances were present or in obtaining borrowings using such real estate as collateral. It is our general policy to have Phase I environmental audits performed for all of our properties and land by qualified environmental consultants. These Phase I environmental audits have not revealed any environmental liability that would have a material adverse effect on our business. However, a Phase I environmental audit does not involve invasive procedures such as soil sampling or

ground water analysis, and we cannot be sure that the Phase I environmental audits did not fail to reveal a significant environmental liability or that a prior owner did not create a material environmental condition on our properties or land which has not yet been discovered. We could also incur environmental liability as a result of future uses or conditions of such real estate or changes in applicable environmental laws.

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Risks Related to Our Organization and Structure

If we were to cease to qualify as a REIT, we and our shareholders would lose significant tax benefits.

We intend to continue to operate so as to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the Code). Qualification as a REIT provides significant tax advantages to us and our shareholders. However, in order for us to continue to qualify as a REIT, we must satisfy numerous requirements established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. Satisfaction of these requirements also depends on various factual circumstances not entirely within our control. The fact that we hold our assets through an operating partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Although we believe that we can continue to operate so as to qualify as a REIT, we cannot offer any assurance that we will continue to do so or that legislation, new regulations, administrative interpretations or court decisions will not significantly change the qualification requirements or the federal income tax consequences of qualification. If we were to fail to qualify as a REIT in any taxable year, it would have the following effects:

We would not be allowed a deduction for distributions to shareholders and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;

Unless we were entitled to relief under certain statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT;

Our net earnings available for investment or distribution to our shareholders would decrease due to the additional tax liability for the year or years involved; and

We would no longer be required to make any distributions to shareholders in order to qualify as a REIT.

As such, failure to qualify as a REIT would likely have a significant adverse effect on the value of our securities.

REIT distribution requirements limit the amount of cash we have available for other business purposes, including amounts that we need to fund our future capital needs.

To maintain our qualification as a REIT under the Code, we must annually distribute to our shareholders at least 90% of our ordinary taxable income, excluding net capital gains. We intend to continue to make distributions to our shareholders to comply with the 90% distribution requirement. However, this requirement limits our ability to accumulate capital for use for other business purposes. If we do not have sufficient cash or other liquid assets to meet the distribution requirements, we may have to borrow funds or sell properties on adverse terms in order to meet the distribution requirements. If we fail to make a required distribution, we would cease to qualify as a REIT.

U.S. federal income tax treatment of REITs and investments in REITs may change, which may result in the loss of our tax benefits of operating as a REIT.

The present U.S. federal income tax treatment of a REIT and an investment in a REIT may be modified by legislative, judicial or administrative action at any time. Revisions in U.S. federal income tax laws and interpretations of these laws could adversely affect us and the tax consequences of an investment in our common shares.

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We are subject to certain provisions that could discourage change-of-control transactions, which may reduce the likelihood of our shareholders receiving a control premium for their shares.

Indiana anti-takeover legislation and certain provisions in our governing documents, as we discuss below, may discourage potential acquirers from pursuing a change-of-control transaction with us. As a result, our shareholders may be less likely to receive a control premium for their shares.

Unissued Preferred Stock. Our charter permits our board of directors to classify unissued preferred stock by setting the rights and preferences of the shares at the time of issuance. This power enables our board to adopt a shareholder rights plan, also known as a poison pill. Although we have repealed our previously existing poison pill and our current board of directors has adopted a policy not to issue preferred stock as an anti-takeover measure, our board can change this policy at any time. The adoption of a poison pill would discourage a potential bidder from acquiring a significant position in the company without the approval of our board.

Business-Combination Provisions of Indiana Law. We have not opted out of the business-combination provisions of the Indiana Business Corporation Law. As a result, potential bidders may have to negotiate with our board of directors before acquiring 10% of our stock. Without securing board approval of the proposed business combination before crossing the 10% ownership threshold, a bidder would not be permitted to complete a business combination for five years after becoming a 10% shareholder. Even after the five-year period, a business combination with the significant shareholder would require a fair price as defined in the Indiana Business Corporation Law or the approval of a majority of the disinterested shareholders.

Control-Share-Acquisition Provisions of Indiana Law. We have not opted out of the provisions of the Indiana Business Corporation Law regarding acquisitions of control shares. Therefore, those who acquire a significant block (at least 20%) of our shares may only vote a portion of their shares unless our other shareholders vote to accord full voting rights to the acquiring person. Moreover, if the other shareholders vote to give full voting rights with respect to the control shares and the acquiring person has acquired a majority of our outstanding shares, the other shareholders would be entitled to special dissenters' rights.

Supermajority Voting Provisions. Our charter prohibits business combinations or significant disposition transactions with a holder of 10% of our shares unless:

The holders of 80% of our outstanding shares of capital stock approve the transaction;

The transaction has been approved by three-fourths of those directors who served on the board before the shareholder became a 10% owner; or

The significant shareholder complies with the fair price provisions of our charter.

Among the transactions with large shareholders requiring the supermajority shareholder approval are dispositions of assets with a value greater than or equal to \$1,000,000 and business combinations.

Operating Partnership Provisions. The limited partnership agreement of DRLP contains provisions that could discourage change-of-control transactions, including a requirement that holders of at least 90% of the outstanding partnership units held by us and other unit holders approve:

Any voluntary sale, exchange, merger, consolidation or other disposition of all or substantially all of the assets of DRLP in one or more transactions other than a disposition occurring upon a financing or refinancing of DRLP;

Our merger, consolidation or other business combination with another entity unless after the transaction substantially all of the assets of the surviving entity are contributed to DRLP in exchange for units;

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Our transfer of our interests in DRLP other than to one of our wholly owned subsidiaries; and

Any reclassification or recapitalization or change of outstanding shares of our common stock other than certain changes in par value, stock splits, stock dividends or combinations.

We are dependent on key personnel.

Our executive officers and other senior officers have a significant role in the success of our Company. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave our Company is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets.

Item 1B. Unresolved Staff Comments

We have no unresolved comments with the SEC staff regarding our periodic or current reports under the Exchange Act.

Item 2. Properties

Product Review

As of December 31, 2009, we own interests in a diversified portfolio of 762 commercial properties encompassing more than 135.4 million net rentable square feet (including 211 jointly controlled in-service properties with more than 43.2 million square feet, four consolidated properties under development with approximately 663,000 square feet and three jointly controlled properties under development with more than 957,000 square feet).

Industrial Properties: We own interests in 427 industrial properties encompassing more than 95.5 million square feet (71% of total square feet). These properties primarily consist of bulk warehouses (industrial warehouse/distribution centers with clear ceiling heights of 20 feet or more), but also include service center properties (also known as flex buildings or light industrial, having 12-18 foot clear ceiling heights and a combination of drive-up and dock-height loading access). Of these properties, 249 buildings with more than 56.4 million square feet are consolidated and 178 buildings with approximately 39.1 million square feet are jointly controlled.

Office Properties: We own interests in 298 office buildings totaling approximately 35.4 million square feet (26% of total square feet). These properties include primarily suburban office properties. Of these properties, 267 buildings with approximately 31.5 million square feet are consolidated and 31 buildings with more than 3.9 million square feet are jointly controlled.

Other Properties: We own interests in 37 medical office and retail buildings totaling approximately 4.6 million square feet (3% of total square feet). Of these properties, 32 buildings with approximately 3.4 million square feet are consolidated and five buildings with more than 1.2 million square feet are jointly controlled.

Land: We own, including through ownership interests in unconsolidated joint ventures, approximately 5,000 acres of land and control an additional 1,900 acres through purchase options.

Property Descriptions

The following tables represent the geographic highlights of consolidated and jointly controlled in-service properties in our primary markets.

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Consolidated Properties

| | Square Feet | | | | Percent of Overall | Annual Net Effective Rent (1) | Percent of Annual Net Effective Rent |
|-----------------------|-------------------|-------------------|------------------|-------------------|--------------------|-------------------------------|--------------------------------------|
| | Industrial | Office | Other | Overall | | | |
| Primary Market | | | | | | | |
| Indianapolis | 9,429,823 | 2,900,572 | 864,280 | 13,194,675 | 14.6% | \$ 82,715,410 | 13.4% |
| Atlanta | 6,197,930 | 4,088,053 | 389,055 | 10,675,038 | 11.8% | 71,813,138 | 11.6% |
| Cincinnati | 4,048,418 | 4,787,195 | 419,547 | 9,255,160 | 10.2% | 66,072,614 | 10.7% |
| Chicago | 4,554,326 | 2,796,084 | 73,255 | 7,423,665 | 8.2% | 54,963,984 | 8.9% |
| Raleigh | 2,101,449 | 3,061,022 | 20,061 | 5,182,532 | 5.7% | 50,489,512 | 8.2% |
| Columbus | 3,443,581 | 3,249,646 | 73,433 | 6,766,660 | 7.5% | 47,673,497 | 7.7% |
| St. Louis | 2,301,593 | 2,933,292 | - | 5,234,885 | 5.8% | 43,349,627 | 7.0% |
| Central Florida | 3,360,479 | 1,177,465 | 475,072 | 5,013,016 | 5.5% | 41,117,234 | 6.6% |
| Nashville | 3,119,292 | 1,366,676 | 120,860 | 4,606,828 | 5.1% | 33,696,063 | 5.4% |
| Minneapolis | 3,548,215 | 1,048,606 | - | 4,596,821 | 5.1% | 26,326,268 | 4.2% |
| Dallas | 5,379,082 | 645,983 | 279,127 | 6,304,192 | 7.0% | 23,557,727 | 3.8% |
| Savannah | 6,784,550 | - | - | 6,784,550 | 7.5% | 20,419,645 | 3.3% |
| South Florida | - | 866,285 | - | 866,285 | 1.0% | 15,397,060 | 2.5% |
| Cleveland | - | 1,324,451 | - | 1,324,451 | 1.4% | 12,375,386 | 2.0% |
| Washington DC | 78,560 | 649,076 | - | 727,636 | 0.8% | 8,447,808 | 1.4% |
| Baltimore | 462,070 | - | 289,855 | 751,925 | 0.8% | 8,290,510 | 1.3% |
| Houston | 835,540 | 159,175 | - | 994,715 | 1.1% | 7,202,042 | 1.2% |
| Norfolk | 466,000 | - | - | 466,000 | 0.5% | 2,290,177 | 0.4% |
| Austin | - | - | 96,829 | 96,829 | 0.1% | 542,359 | 0.1% |
| Phoenix | 194,899 | - | - | 194,899 | 0.2% | 68,603 | 0.0% |
| Other (2) | 120,000 | - | - | 120,000 | 0.1% | 2,160,000 | 0.3% |
| Total | 56,425,807 | 31,053,581 | 3,101,374 | 90,580,762 | 100.0% | \$ 618,968,664 | 100.0% |
| | 62.3% | 34.3% | 3.4% | 100.0% | | | |

Jointly Controlled Properties

| | Square Feet | | | | Percent of Overall | Annual Net Effective Rent (1) | Percent of Annual Net Effective Rent |
|-----------------------|-------------|---------|---------|------------|--------------------|-------------------------------|--------------------------------------|
| | Industrial | Office | Other | Overall | | | |
| Primary Market | | | | | | | |
| Indianapolis | 11,545,594 | 124,878 | - | 11,670,472 | 27.0% | \$ 13,710,999 | 18.3% |
| Atlanta | 2,593,566 | - | - | 2,593,566 | 6.0% | 4,194,046 | 5.6% |
| Cincinnati | 7,305,878 | - | 206,315 | 7,512,193 | 17.4% | 11,328,697 | 15.2% |
| Chicago | 1,933,574 | - | - | 1,933,574 | 4.5% | 3,232,695 | 4.3% |
| Raleigh | - | 300,389 | - | 300,389 | 0.7% | 1,406,265 | 1.9% |
| Columbus | 3,002,156 | - | - | 3,002,156 | 6.9% | 3,007,359 | 4.0% |
| St. Louis | 1,635,735 | - | 104,954 | 1,740,689 | 4.0% | 2,742,141 | 3.7% |
| Central Florida | 908,422 | 624,796 | - | 1,533,218 | 3.5% | 4,196,242 | 5.6% |
| Nashville | - | 180,147 | - | 180,147 | 0.4% | 597,195 | 0.8% |
| Minneapolis | - | - | 382,170 | 382,170 | 0.9% | 3,099,898 | 4.2% |
| Dallas | 8,080,278 | - | - | 8,080,278 | 18.7% | 10,372,295 | 13.9% |

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| | | | | | | | |
|---------------|------------|-----------|---------|------------|--------|---------------|--------|
| Washington DC | 658,322 | 2,146,275 | - | 2,804,597 | 6.5% | 15,109,744 | 20.2% |
| Houston | - | 89,750 | - | 89,750 | 0.2% | 257,764 | 0.3% |
| Phoenix | 1,425,062 | - | - | 1,425,062 | 3.3% | 1,529,334 | 2.0% |
| Total | 39,088,587 | 3,466,235 | 693,439 | 43,248,261 | 100.0% | \$ 74,784,674 | 100.0% |
| | 90.4% | 8.0% | 1.6% | 100.0% | | | |

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| | Occupancy % | | | | | | | |
|-----------------------|-------------------------|--------------|--------------|--------------|-------------------------------|--------------|--------------|--------------|
| | Consolidated Properties | | | | Jointly Controlled Properties | | | |
| | Industrial | Office | Other | Overall | Industrial | Office | Other | Overall |
| Primary Market | | | | | | | | |
| Indianapolis | 95.6% | 90.2% | 83.8% | 93.7% | 88.2% | 94.8% | - | 88.3% |
| Atlanta | 93.4% | 86.2% | 91.7% | 90.6% | 84.0% | - | - | 84.0% |
| Cincinnati | 74.2% | 83.0% | 96.3% | 79.7% | 90.4% | - | 100.0% | 90.6% |
| Chicago | 95.6% | 88.1% | 92.3% | 92.7% | 98.1% | - | - | 98.1% |
| Raleigh | 95.5% | 92.7% | 21.8% | 93.5% | - | 39.4% | - | 39.4% |
| Columbus | 97.5% | 85.7% | 99.7% | 91.8% | 95.7% | - | - | 95.7% |
| St. Louis | 92.8% | 79.9% | - | 85.6% | 71.8% | - | 100.0% | 73.5% |
| Central Florida | 86.7% | 83.5% | 93.4% | 86.6% | 100.0% | 85.7% | - | 94.2% |
| Nashville | 91.0% | 87.1% | 56.6% | 88.9% | - | 100.0% | - | 100.0% |
| Minneapolis | 89.7% | 65.1% | - | 84.1% | - | - | 54.1% | 54.1% |
| Dallas | 72.6% | 75.9% | 54.6% | 72.2% | 75.9% | - | - | 75.9% |
| Savannah | 88.5% | - | - | 88.5% | - | - | - | - |
| South Florida | - | 94.2% | - | 94.2% | - | - | - | - |
| Cleveland | - | 75.7% | - | 75.7% | - | - | - | - |
| Washington DC | 91.4% | 67.5% | - | 70.1% | 98.7% | 96.8% | - | 97.2% |
| Baltimore | 100.0% | - | 87.6% | 95.2% | - | - | - | - |
| Houston | 96.6% | 93.1% | - | 96.1% | - | 100.0% | - | 100.0% |
| Norfolk | 100.0% | - | - | 100.0% | - | - | - | - |
| Austin | - | - | 26.5% | 26.5% | - | - | - | - |
| Phoenix | 11.8% | - | - | 11.8% | 100.0% | - | - | 100.0% |
| Other (2) | 100.0% | - | - | 100.0% | - | - | - | - |
| Total | 89.4% | 84.7% | 83.0% | 87.6% | 87.0% | 90.0% | 74.7% | 87.1% |

(1) Represents the average annual rental property revenue due from tenants in occupancy as of December 31, 2009, excluding additional rent due as operating expense reimbursements, landlord allowances for operating expenses and percentage rents. Joint venture properties are shown at our ownership percentage.

(2) Represents properties not located in our primary markets.

Item 3. Legal Proceedings

We are not subject to any material pending legal proceedings, other than routine litigation arising in the ordinary course of business. Our management expects that these ordinary routine legal proceedings will be covered by insurance and does not expect these legal proceedings to have a material adverse effect on our financial condition, results of operations, or liquidity.

Item 4. Reserved**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is listed for trading on the NYSE under the symbol DRE. The following table sets forth the high and low sales prices of our common stock for the periods indicated and the dividend paid per share during each such period. As of February 22, 2010, there were 9,459 record holders of our common stock.

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| Quarter Ended | 2009 | | | 2008 | | |
|---------------|----------|----------|----------|----------|---------|----------|
| | High | Low | Dividend | High | Low | Dividend |
| December 31 | \$ 12.90 | \$ 10.84 | \$.170 | \$ 24.12 | \$ 3.85 | \$.485 |
| September 30 | 13.71 | 7.45 | .170 | 27.02 | 20.62 | .485 |
| June 30 | 10.55 | 5.16 | .170 | 27.05 | 21.94 | .480 |
| March 31 | 12.25 | 4.07 | .250 | 26.01 | 20.56 | .480 |

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On January 27, 2010, we declared a quarterly cash dividend of \$.17 per share, payable on February 26, 2010, to common shareholders of record on February 12, 2010.

A summary of the tax characterization of the dividends paid per common share for the years ended December 31, 2009, 2008 and 2007 follows:

| | 2009 | 2008 | 2007 |
|--------------------------------|----------------|-------------|-------------|
| Total dividends paid per share | \$ 0.76 | \$ 1.93 | \$ 1.91 |
| Ordinary income | 69.0% | 39.3% | 63.1% |
| Return of capital | 26.4% | 27.3% | 0% |
| Capital gains | 4.6% | 33.4% | 36.9% |
| | 100.0% | 100.0% | 100.0% |

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item concerning securities authorized for issuance under equity compensation plans is set forth in or incorporated herein by reference to Part III, Item 12 of this Report.

Sales of Unregistered Securities

We did not sell any of our securities during the year ended December 31, 2009 that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

From time to time, we repurchase our securities under a repurchase program that initially was approved by the board of directors and publicly announced in October 2001 (the Repurchase Program). In October 2008, the board of directors adopted a resolution (the October 2008 resolution) that reaffirmed management s authority to repurchase common shares under the Repurchase Program and also amended the Repurchase Program to permit the repurchase of outstanding series of preferred shares, as well as any outstanding series of debt securities. The October 2008 resolution, which expired in October 2009, also limited management s authority to repurchase a maximum of \$75.0 million of common shares, \$75.0 million of debt securities and \$25.0 million of preferred shares. In December 2008, the board of directors granted management further authority (the December 2008 resolution), in addition to the previous \$75.0 million authorization, to repurchase any outstanding debt securities maturing through December 31, 2011. The December 2008 resolution expires on March 17, 2010. Under the Repurchase Program, we also execute share repurchases on an ongoing basis associated with certain employee elections under our compensation and benefit programs.

The following table shows the share repurchase activity for each of the three months in the quarter ended December 31, 2009:

| Month | Total Number of | Average Price | Total Number of |
|-------|-----------------|----------------|-----------------|
| | | Paid per Share | |

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| | Shares Purchased (1) | | | Shares Purchased as Part of Publicly Announced Plans or Programs |
|-----------|---------------------------------|--------|-----------|---|
| October | 5,823 | \$ | 12.06 | 5,823 |
| November | 11,411 | \$ | 11.12 | 11,411 |
| December | 7,630 | \$ | 11.73 | 7,630 |
| Total | 24,864 | \$ | 11.53 | 24,864 |

- (1) Includes 22,786 common shares repurchased under our Employee Stock Purchase Plan and 2,078 common shares repurchased through a Rabbi Trust under the Executives' Deferred Compensation Plan.

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The following sets forth selected financial and operating information on a historical basis for each of the years in the five-year period ended December 31, 2009. The following information should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data included in this Form 10-K (in thousands, except per share amounts):

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Results of Operations: | | | | | |
| Revenues: | | | | | |
| Rental and related revenue | \$ 894,580 | \$ 857,559 | \$ 810,547 | \$ 755,447 | \$ 606,932 |
| General contractor and service fee revenue | 449,509 | 434,624 | 311,548 | 330,195 | 400,322 |
| Total Revenues from Continuing Operations | \$ 1,344,089 | \$ 1,292,183 | \$ 1,122,095 | \$ 1,085,642 | \$ 1,007,254 |
| Income (loss) from continuing operations | \$ (277,065) | \$ 91,528 | \$ 164,435 | \$ 159,183 | \$ 143,008 |
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 | \$ 144,643 | \$ 309,183 |
| Per Share Data: | | | | | |
| Basic income (loss) per common share: | | | | | |
| Continuing operations | \$ (1.70) | \$ 0.20 | \$ 0.60 | \$ 0.63 | \$ 0.46 |
| Discontinued operations | 0.03 | 0.13 | 0.91 | 0.44 | 1.72 |
| Diluted income (loss) per common share: | | | | | |
| Continuing operations | (1.70) | 0.20 | 0.60 | 0.63 | 0.46 |
| Discontinued operations | 0.03 | 0.13 | 0.91 | 0.43 | 1.71 |
| Dividends paid per common share | 0.76 | 1.93 | 1.91 | 1.89 | 1.87 |
| Dividends paid per common share - special | - | - | - | - | 1.05 |
| Weighted average common shares outstanding | 201,206 | 146,915 | 139,255 | 134,883 | 141,508 |
| Weighted average common shares and potential dilutive securities | 201,206 | 154,553 | 149,250 | 149,156 | 155,809 |
| Balance Sheet Data (at December 31): | | | | | |
| Total Assets | \$ 7,304,279 | \$ 7,690,883 | \$ 7,661,981 | \$ 7,238,595 | \$ 5,647,560 |
| Total Debt | 3,854,032 | 4,276,990 | 4,288,436 | 4,074,979 | 2,600,651 |
| Total Preferred Equity | 1,016,625 | 1,016,625 | 744,000 | 876,250 | 657,250 |
| Total Shareholders' Equity | 2,925,345 | 2,844,019 | 2,778,502 | 2,537,802 | 2,452,798 |
| Total Common Shares Outstanding | 224,029 | 148,420 | 146,175 | 133,921 | 134,697 |
| Other Data: | | | | | |
| Consolidated basic Funds from Operations attributable to common shareholders (1) | \$ 12,854 | \$ 369,698 | \$ 378,282 | \$ 337,556 | \$ 341,189 |

(1) Funds From Operations (FFO) is used by industry analysts and investors as a supplemental operating performance measure of an equity real estate investment trust (REIT) like Duke. The National Association of Real Estate Investment Trusts (NAREIT) created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with accounting principles generally accepted United States of America (GAAP). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated basic FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real

estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated basic FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies.

See reconciliation of FFO to GAAP net income (loss) attributable to common shareholders under the caption "Year in Review" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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

Business Overview

We are a self-administered and self-managed REIT that began operations through a related entity in 1972. As of December 31, 2009, we:

Owned or jointly controlled 762 industrial, office, medical office and other properties, of which 755 properties with more than 133.8 million square feet are in service and seven properties with more than 1.6 million square feet are under development. The 755 in-service properties are comprised of 544 consolidated properties with approximately 90.6 million square feet and 211 jointly controlled properties with more than 43.2 million square feet. The seven properties under development consist of four consolidated properties with approximately 663,000 square feet and three jointly controlled properties with more than 957,000 square feet.

Owned, including through ownership interests in unconsolidated joint ventures, approximately 5,000 acres of land and controlled an additional 1,900 acres through purchase options.

We refined our business strategy in 2009, which includes planned reductions in undeveloped land inventory in light of lower anticipated development volume and the targeting of non-strategic property dispositions. These decisions further align our focus on markets that we believe offer the best long-term prospects for rental rate growth and overall demand with an emphasis on industrial and medical office properties. Additionally, we no longer plan to develop properties with the intent to sell them at or near completion.

Through our Service Operations reportable segment, we have historically developed or acquired properties with the intent to sell (hereafter referred to as Build-for-Sale properties). Build-for-Sale properties were generally identified as such prior to construction commencement and were sold within a relatively short time after being placed in service. Build-for-Sale properties, which are no longer part of our operating strategy, did not represent a significant component of our operations in 2009.

Our Service Operations reportable segment, which includes our taxable REIT subsidiary, also provides the following services for our properties and for certain properties owned by third parties and joint ventures:

- Property leasing;
- Property management;
- Asset management;
- Construction;
- Development; and
- Other tenant-related services.

Capital Strategy

Our strategy is to actively manage the components of our capital structure, in conjunction with the execution of our overall operating strategy, while continuing to maintain investment grade ratings from our credit rating agencies and to ultimately improve the key metrics that drive these credit ratings.

In support of our capital strategy, as well as our overall business strategy, we employ an asset disposition program to sell non-strategic real estate assets, which generates proceeds that can be recycled into new properties that better fit our growth objectives in industrial and medical office properties or can be utilized to reduce our leverage.

We seek to reduce leverage and strengthen our balance sheet by maintaining a balanced and flexible capital structure which includes: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) issuing common equity from time-to-time to maintain appropriate leverage parameters; and (iv) generating proceeds from the sale of non-strategic properties. By focusing on strengthening our balance sheet, we expect to be well-positioned for future growth.

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Operational Objectives

Our primary operational objective is to drive operational efficiencies, by maximizing cash from operations and Funds From Operations (FFO), through (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) selectively developing and acquiring new properties for rental operations in our existing markets when economic conditions improve or when accretive returns are present; (iii) using our construction expertise to act as a general contractor or construction manager in our existing markets and other domestic markets on a fee basis; and (iv) providing a full line of real estate services to our tenants and to third parties.

Year in Review

Overall, the economy and business fundamentals experienced substantial deterioration in 2009, especially in the first six months of the year. The most significant factor driving operating decisions and results was the lack of available capital in the marketplace.

With a focus on securing our future liquidity position to withstand the continuing challenges in the economy, and to be positioned for future growth, we demonstrated our ability to access multiple capital sources and completed several major financing transactions in 2009. These financing transactions, along with asset dispositions completed during the year, generated over \$1.6 billion of new capital in 2009. Major financing transactions included a common equity issuance that generated \$575.0 million of proceeds, the issuance of \$500.0 million of unsecured notes, \$290.4 million of additional borrowings on secured loans and the renewal of our unsecured line of credit at a borrowing capacity of \$850.0 million through February 2013.

The refinement of our business strategy, as well as the deep recession and financial market instability that adversely affected real estate values, caused us to recognize asset impairment charges of \$303.6 million in 2009 and \$19.7 million in 2008. Despite the recessionary climate and lack of available capital for buyers, we were able to successfully execute several land and building disposition transactions in 2009 that generated \$300.9 million in gross proceeds.

The economic recession and general turmoil in the financial markets that began in late 2007 continued to negatively impact the real estate industry throughout 2009. There continues to be a tremendous oversupply of space across all product types and in all markets in the commercial real estate industry. As a result, many owners are willing to offer significant concessions to compete for potential tenants, which is driving down rental rates and resulting in large capital expenditures in many cases. Leasing activity has been slower than anticipated, a reflection of the broader economy, which led to a slight decline in our total occupancy.

Net loss attributable to common shareholders for the year ended December 31, 2009, was \$333.6 million, or \$1.67 per share (diluted), compared to net income of \$50.4 million, or \$0.33 per share (diluted) for the year ended 2008. The loss attributable to common shareholders was driven primarily by \$303.6 million of non-cash asset impairment charges recognized during the year and a \$49.2 million decrease in total gains on land and building sales. Additionally, we incurred a \$21.8 million increase in interest expense that was driven by a decrease in interest costs capitalized to development projects. FFO attributable to common shareholders totaled \$12.9 million for the year ended December 31, 2009, compared to \$369.7 million for 2008, with the decrease resulting from the same factors that drove the loss attributable to common shareholders in 2009.

Industry analysts and investors use FFO as a supplemental operating performance measure of an equity real estate investment trust (REIT). The National Association of Real Estate Investment Trusts (NAREIT) created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items,

from net income determined in accordance with accounting principles generally accepted in the United States of America (GAAP). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated basic FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

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Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated basic FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies. The following table shows a reconciliation of net income (loss) attributable to common shareholders to the calculation of consolidated basic FFO attributable to common shareholders for the years ended December 31, 2009, 2008 and 2007, respectively (in thousands):

| | 2009 | 2008 | 2007 |
|--|--------------|------------|------------|
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 |
| Adjustments: | | | |
| Depreciation and amortization | 340,126 | 314,952 | 277,691 |
| Company share of joint venture depreciation and amortization | 36,966 | 38,321 | 26,948 |
| Earnings from depreciable property sales wholly owned | (19,123) | (16,961) | (121,072) |
| Earnings from depreciable property sales share of joint venture | - | (495) | (6,244) |
| Noncontrolling interest share of adjustments | (11,514) | (16,527) | (10,983) |
| Consolidated basic Funds From Operations attributable to common shareholders | \$ 12,854 | \$ 369,698 | \$ 378,282 |

During 2009, we continued to execute within our core areas of competency, while planning for the longer term effects of the economic recession. Highlights of our operating activities are as follows:

We made outright sales, or completed partial sales to unconsolidated joint ventures, of 15 wholly owned buildings for \$267.0 million of gross proceeds and also generated \$33.9 million of gross proceeds from the divestiture of non-strategic land parcels.

As a result of refinements to our strategy, combined to a lesser extent with a market-wide decline in asset values due to the economic downturn, we recognized \$303.6 million of impairment charges on land, buildings, investments in unconsolidated subsidiaries and other real estate related assets during 2009.

We have continued to limit our new development starts to selected projects in markets or product types expected to have strong future rent growth and demand or projects that have significant pre-leasing. The total estimated cost of our consolidated properties under construction was \$122.2 million at December 31, 2009 with \$91.9 million of such costs incurred through that date. Our total estimated cost for jointly controlled properties under construction was \$318.4 million at December 31, 2009 with \$126.5 million of costs incurred through that date.

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The occupancy level for our in-service portfolio of consolidated properties decreased from 88.1% at December 31, 2008 to 87.6% at December 31, 2009. The decrease was due to the continuation of the 2008 trend of recently completed speculative buildings being placed in service and not being fully leased, as well as the impact of the economy on users of office and bulk industrial space.

Despite the continued challenges presented by the overall economy, total leasing activity for our consolidated properties totaled 15.3 million square feet in 2009 compared to 14.7 million square feet in 2008.

Total leasing activity for our consolidated properties in 2009 totaled 8.8 million square feet of renewals, which represented an 82.0% success rate and attained a 2.2% growth in net effective rents.

We engaged in a number of financing activities during 2009 to adapt to conditions in the credit markets. Highlights of our key financing activities in 2009 are as follows:

In February 2009, we repaid \$124.0 million of 6.83% corporate unsecured debt at its scheduled maturity date.

In April 2009, we issued 75.2 million shares of common stock for net proceeds of \$551.4 million.

During 2009, we borrowed a total of \$290.4 million from six secured debt financings that are secured by 35 rental properties. The secured debt bears interest at a weighted average rate of 7.5%. The composition of these properties as far as product type, geographic location, and overall operating metrics are diverse and similar to our overall portfolio of unsecured properties.

In August 2009, we issued \$500.0 million of unsecured notes in two equal tranches. The first \$250.0 million of the unsecured notes will mature in February 2015 and bear interest at an effective rate of 7.50% while the other \$250.0 million of the notes mature in August 2019 and bear interest at an effective rate of 8.38%.

During 2009, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2009 through 2011. In total, we paid \$500.9 million for unsecured notes that had a face value of \$542.9 million, recognizing a net gain on extinguishment of approximately \$27.5 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments. Partially offsetting the aforementioned gains was a \$6.8 million charge to write-off fees paid for a cancelled secured transaction.

In order to strengthen our liquidity position going forward and to preserve cash for future debt maturities, in January 2009 the board of directors reduced our annual dividend from \$1.94 per share to \$1.00 per share. Our dividend was further reduced in the second quarter of 2009 to \$0.68 per share on an annualized basis which, as a result of the issuance of additional shares in the April 2009 common stock offering, was necessary for us to maintain our planned level of aggregate dividend payments for 2009.

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Our operating results depend primarily upon rental income from our industrial, office, medical office and retail properties (collectively referred to as Rental Operations). The following discussion highlights the areas of Rental Operations that we consider critical drivers of future revenues.

Occupancy Analysis: As discussed above, our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue from continuing operations. The following table sets forth occupancy information regarding our in-service portfolio of consolidated rental properties as of December 31, 2009 and 2008, respectively (in thousands, except percentage data):

| Type | Total Square Feet | | Percent of Total Square Feet | | Percent Occupied | |
|--|-------------------|--------|------------------------------|--------|------------------|-------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Industrial | 56,426 | 56,529 | 62.3% | 62.7% | 89.4% | 88.5% |
| Office | 31,054 | 31,965 | 34.3% | 35.5% | 84.7% | 87.2% |
| Other (Medical Office and Retail) | 3,101 | 1,607 | 3.4% | 1.8% | 83.0% | 88.9% |
| Total | 90,581 | 90,101 | 100.0% | 100.0% | 87.6% | 88.1% |

The decrease in occupancy at December 31, 2009 compared to December 31, 2008 is primarily the result of developments that were not fully leased being placed in service during 2008 and 2009, as well as the effect of the economic downturn on our tenant base. Certain of the developments placed in service during 2008 and 2009 were built with the intention to sell shortly after completion but, due to the deterioration in economic conditions, were not sold and are being held as rental properties for the foreseeable future. Our ongoing ability to maintain favorable occupancy levels may be adversely affected by the continued effects of the economic recession on current and prospective tenants and such a reduction in the level of occupancy may have an adverse impact on revenues from rental operations.

Lease Expiration and Renewals: Our ability to maintain and improve occupancy rates primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our consolidated in-service portfolio lease expiration schedule by property type as of December 31, 2009. The table indicates square footage and annualized net effective rents (based on December 2009 rental revenue) under expiring leases (in thousands, except percentage data):

| Year of Expiration | Total Portfolio | | | Industrial | | Office | | Other | |
|---------------------|-----------------|-----------|--------------|-------------|-----------|-------------|-----------|-------------|-----------|
| | Square Feet | Ann. Rent | % of Revenue | Square Feet | Ann. Rent | Square Feet | Ann. Rent | Square Feet | Ann. Rent |
| 2010 | 6,709 | \$ 47,986 | 8% | 4,191 | \$ 16,882 | 2,509 | \$ 30,965 | 9 | \$ 139 |
| 2011 | 9,886 | 71,512 | 12% | 6,583 | 28,557 | 3,227 | 41,635 | 76 | 1,320 |
| 2012 | 8,765 | 64,182 | 10% | 5,517 | 22,346 | 3,175 | 40,529 | 73 | 1,307 |
| 2013 | 11,268 | 86,216 | 14% | 7,112 | 28,258 | 4,075 | 56,562 | 81 | 1,396 |
| 2014 | 8,987 | 62,207 | 10% | 6,210 | 24,395 | 2,611 | 34,970 | 166 | 2,842 |
| 2015 | 8,699 | 54,902 | 9% | 6,371 | 25,096 | 2,311 | 29,443 | 17 | 363 |
| 2016 | 5,941 | 36,206 | 6% | 4,365 | 15,323 | 1,342 | 17,912 | 234 | 2,971 |
| 2017 | 4,760 | 37,965 | 6% | 3,069 | 12,744 | 1,247 | 17,511 | 444 | 7,710 |
| 2018 | 3,273 | 41,166 | 7% | 1,281 | 6,476 | 1,414 | 20,924 | 578 | 13,766 |
| 2019 | 3,333 | 40,873 | 7% | 1,280 | 6,132 | 1,746 | 26,854 | 307 | 7,887 |
| 2020 and Thereafter | 7,702 | 75,754 | 11% | 4,478 | 20,820 | 2,634 | 41,214 | 590 | 13,720 |

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| | | | | | | | | | |
|------------------------------------|---------------|------------|------|---------------|------------|---------------|------------|--------------|-----------|
| | 79,323 | \$ 618,969 | 100% | 50,457 | \$ 207,029 | 26,291 | \$ 358,519 | 2,575 | \$ 53,421 |
| Total Portfolio Square Feet | 90,581 | | | 56,426 | | 31,054 | | 3,101 | |
| Percent Occupied | 87.6% | | | 89.4% | | 84.7% | | 83.0% | |

We renewed 82.0% and 71.3% of our leases up for renewal totaling approximately 8.8 million and 5.5 million square feet in 2009 and 2008, respectively. We attained 2.2% growth in net effective rents on these renewals during 2009, compared to 1.4% in 2008. Growth in net effective rent in 2008 was negatively affected by one significant early lease renewal and would have been 5.7% if that renewal were excluded. Our lease renewal percentages over the past three years have remained relatively consistent at a 70-80% success rate. The effects of current economic conditions upon our base of existing tenants may adversely affect our ability to continue to achieve this renewal rate.

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Future Development: Another source of our earnings growth is our wholly owned and joint venture development activities. We expect to generate future earnings from Rental Operations income as the development properties are placed in service and leased. Considering the current state of the economy and the risks presented by constraints on our ability to access capital on favorable terms, we have reduced the level of our new development activities pending improvements in the economy and capital markets and are focused on the lease-up of recently completed and under development projects.

We had 1.6 million square feet of property under development with total estimated costs upon completion of \$440.6 million at December 31, 2009, compared to 4.0 million square feet of property under development with total estimated costs of \$729.2 million at December 31, 2008. The square footage and estimated costs include both wholly owned and joint venture development activity at 100%.

The following table summarizes our properties under development as of December 31, 2009 (in thousands, except percentage data):

| Ownership Type | Square Feet | Percent Leased | Total Estimated Project Costs | Total Incurred to Date | Amount Remaining to be Spent |
|--------------------------|--------------|----------------|-------------------------------|------------------------|------------------------------|
| Consolidated properties | 663 | 97% | \$ 122,224 | \$ 91,871 | \$ 30,353 |
| Joint venture properties | 957 | 51% | 318,405 | 126,542 | 191,863 |
| Total | 1,620 | 70% | \$ 440,629 | \$ 218,413 | \$ 222,216 |

Acquisition and Disposition Activity: Gross sales proceeds related to the dispositions of wholly owned undeveloped land and buildings totaled \$300.9 million in 2009, compared to \$473.6 million in 2008. Our share of proceeds from sales of properties within unconsolidated joint ventures in which we have less than a 100% interest totaled \$35.1 million in 2008, and we had no such dispositions in 2009.

We intend to continue to pursue disposition opportunities for non-strategic properties and land in accordance with our strategy. We believe that the number of dispositions we execute in 2010 will be impacted by the ability of prospective buyers to obtain favorable financing or pay cash, given the current state of the economy and credit markets in particular.

In 2009, we acquired \$32.1 million of income producing properties comprised of three industrial real estate properties in Savannah, Georgia, compared to acquisitions of \$60.5 million of income producing properties in the same market in 2008. We also acquired \$6.2 million of undeveloped land in 2009, compared to \$42.7 million in 2008.

Table of Contents**Results of Operations**

A summary of our operating results and property statistics for each of the years in the three-year period ended December 31, 2009, is as follows (in thousands, except number of properties and per share data):

| | 2009 | 2008 | 2007 |
|--|------------|------------|------------|
| Rental and related revenue | \$ 894,580 | \$ 857,559 | \$ 810,547 |
| General contractor and service fee revenue | 449,509 | 434,624 | 311,548 |
| Operating income (loss) | (83,763) | 279,568 | 342,905 |
| Net income (loss) attributable to common shareholders | (333,601) | 50,408 | 211,942 |
| Weighted average common shares outstanding | 201,206 | 146,915 | 139,255 |
| Weighted average common shares and potential dilutive securities | 201,206 | 154,553 | 149,250 |
| Basic income (loss) per common share: | | | |
| Continuing operations | \$ (1.70) | \$ 0.20 | \$ 0.60 |
| Discontinued operations | \$ 0.03 | \$ 0.13 | \$ 0.91 |
| Diluted income (loss) per common share: | | | |
| Continuing operations | \$ (1.70) | \$ 0.20 | \$ 0.60 |
| Discontinued operations | \$ 0.03 | \$ 0.13 | \$ 0.91 |
| Number of in-service consolidated properties at end of year | 544 | 538 | 511 |
| In-service consolidated square footage at end of year | 90,581 | 90,101 | 81,010 |
| Number of in-service joint venture properties at end of year | 211 | 204 | 195 |
| In-service joint venture square footage at end of year | 43,248 | 40,948 | 34,113 |

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008**Rental and Related Revenue**

Overall, rental and related revenue from continuing operations increased from \$857.6 million in 2008 to \$894.6 million in 2009. The following table sets forth rental and related revenue from continuing operations by reportable segment for the years ended December 31, 2009 and 2008, respectively (in thousands):

| | 2009 | 2008 |
|-----------------------------|------------|------------|
| Rental and Related Revenue: | | |
| Office | \$ 568,074 | \$ 555,592 |
| Industrial | 258,888 | 250,078 |
| Non-reportable segments | 67,618 | 51,889 |
| Total | \$ 894,580 | \$ 857,559 |

The primary reasons for the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

In 2009, we acquired three properties, consolidated two retail properties in which we previously had a partial ownership interest, and placed 15 developments in service. The acquisitions and developments provided

incremental revenues of \$1.4 million and \$7.2 million, respectively. The two retail properties that were consolidated in 2009 provided \$16.3 million of incremental revenues. Of the development properties placed in service in 2009, ten were medical office properties accounting for \$4.1 million of the \$7.2 million incremental revenues.

Acquisitions and developments that were placed in service in 2008 provided \$422,000 and \$31.9 million, respectively, of incremental revenue in 2009.

Rental revenue from continuing operations includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees increased from \$9.4 million in 2008 to \$14.2 million in 2009.

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We contributed five properties to an unconsolidated joint venture in 2008, resulting in a \$2.2 million reduction in revenues for the year ended December 31, 2009, as compared to the same period in 2008.

The increase in rental revenues was partially offset by a \$6.8 million increase in expense related to doubtful receivables, including both contractual and straight-line receivables, as a result of economic conditions during 2009.

Decreases in rental rates and occupancy in certain of our existing properties, resulting from the economy's impact on the leasing environment, partially offset the above-mentioned items.

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2009 and 2008, respectively (in thousands):

| | 2009 | 2008 |
|-------------------------|-------------------|-------------------|
| Rental Expenses: | | |
| Office | \$ 158,127 | \$ 152,856 |
| Industrial | 27,551 | 27,703 |
| Non-reportable segments | 17,859 | 10,705 |
| Total | \$ 203,537 | \$ 191,264 |
| Real Estate Taxes: | | |
| Office | \$ 74,850 | \$ 69,546 |
| Industrial | 37,154 | 30,580 |
| Non-reportable segments | 7,109 | 3,693 |
| Total | \$ 119,113 | \$ 103,819 |

Of the overall \$12.3 million increase in rental expenses in 2009 compared to 2008, \$10.2 million was attributable to properties acquired or consolidated and developments placed in service from January 1, 2008 through December 31, 2009.

Of the overall \$15.3 million increase in real estate taxes in 2009 compared to 2008, \$9.8 million was attributable to properties acquired or consolidated and developments placed in service from January 1, 2008 through December 31, 2009. The remaining increase in real estate taxes was driven by increases in tax rates and assessed values on our existing properties.

Service Operations

The following table sets forth the components of the Service Operations reportable segment (excluding Build-for-Sale Properties) for the years ended December 31, 2009 and 2008, respectively (in thousands):

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| | 2009 | 2008 |
|--|------------|------------|
| Service Operations: | | |
| General contractor and service fee revenue | \$ 449,509 | \$ 434,624 |
| General contractor and other services expenses | (427,666) | (418,743) |
| Total | \$ 21,843 | \$ 15,881 |

Service Operations primarily consist of the leasing, management, development, construction management and general contractor services for joint venture properties and properties owned by third parties. Service Operations are heavily influenced by the current state of the economy, as leasing and property management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third-party property owners and joint venture partners. Earnings from Service Operations increased from \$15.9 million in 2008 to \$21.8 million in 2009. The increase in earnings from Service Operations was primarily a result of general contractor expenses being higher than usual in 2008 as a result of increases in our total cost estimates for two third-party fixed price construction contracts, which reduced the margins on the contracts.

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Depreciation and Amortization Expense

Depreciation and amortization expense increased from \$308.1 million in 2008 to \$339.0 million in 2009 due to increases in our real estate asset base from properties acquired or consolidated and developments placed in service during 2008 and 2009.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income or loss from investments in unconsolidated companies that generally own and operate rental properties and develop properties for sale. Equity in earnings decreased from \$23.8 million in 2008 to \$9.9 million in 2009. The decrease was primarily a result of our share of the gain on sale of five properties from unconsolidated subsidiaries in 2008 totaling \$10.1 million, compared to no such sales in 2009. The decreased gains on property sales were partially offset as the result of consolidating two retail joint ventures in April 2009, for which our share of net loss was \$3.5 million in 2008. The remaining decrease in equity in earnings is primarily due to a decrease in operating income within certain of our joint ventures due to decreased occupancy in the underlying rental properties.

Gain on Sale of Properties

Gains on sales of properties decreased from \$39.1 million in 2008 to \$12.3 million in 2009. We sold 14 properties in 2008 compared to nine properties in 2009. The properties sold in 2008 were part of our Build-for-Sale program, which is no longer a significant part of our Service Operations. Because the properties sold in 2008 and 2009 either had insignificant operations prior to sale or because we maintained varying forms of continuing involvement after sale, they are not classified within discontinued operations.

Earnings from Sales of Land

Earnings from sales of land decreased from \$12.7 million in 2008 to \$357,000 in 2009. The decrease in earnings was the result of the current state of the real estate market, as fewer developers are willing to make speculative purchases of land for future development.

Impairment Charges

Impairment charges classified in continuing operations include the impairment of undeveloped land and buildings, investments in unconsolidated subsidiaries and other real estate related assets. The increase from \$18.5 million in 2008 to \$302.8 million in 2009 is primarily due to a refinement of our business strategy coupled with decreases in real estate values and is comprised of the following activity:

A result of the refinement of our business strategy was the decision to dispose of approximately 1,800 acres of land, which had a total cost basis of \$385.3 million, rather than holding it for future development. Our change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that a significant portion of the land was impaired. We recognized impairment charges on land of \$136.6 million in 2009, primarily as the result of writing down to fair value the land that was identified for disposition and determined to be impaired.

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Additionally, an impairment charge of \$78.1 million was recognized in 2009 for 28 office, industrial and retail buildings. One of these properties met the criteria for discontinued operations upon sale and the \$772,000 impairment charge related to this property is accordingly reflected in discontinued operations. An impairment analysis of certain of our buildings was triggered either as the result of changes in management's strategy, resulting in certain buildings being identified as non-strategic, or changes in market conditions.

We have an investment in an unconsolidated entity (the 3630 Peachtree joint venture) whose sole activity is the development and operation of the office component of a multi-use office and residential high-rise building located in the Buckhead sub-market of Atlanta. We recognized an impairment charge in 2009 to write off our \$14.4 million investment in the 3630 Peachtree joint venture as the result of the other-than-temporary decline in value. As a result of the joint venture's obligations to the lender in its construction loan agreement, the likelihood that our partner will be unable to contribute their share of the additional equity to fund the joint venture's future capital costs, and ultimately from our contingent obligation stemming from our joint and several guarantee of the joint venture's loan, we recorded an additional liability of \$36.3 million for our probable future obligation to the lender.

In 2009, we recognized a \$5.8 million charge on our investment in an unconsolidated joint venture (the Park Creek joint venture).

We recognized \$32.5 million of impairment charges on other real estate related assets in 2009 compared to \$8.3 million of charges in 2008. The impairment charges in 2009 related primarily to reserving loans receivable from other real estate entities, as well as writing off previously deferred development costs. Impairment charges recognized on other real estate related assets during 2008 were the result of writing off previously deferred development costs.

In 2008, as the result of a re-assessment of our intended use of some of our land holdings, we recognized non-cash impairment charges on seven of our tracts of undeveloped land totaling \$8.6 million. Additionally, as the result of the economy's negative effect on real estate selling prices, we recognized \$2.8 million of impairment charges on two of our Build-for-Sale properties that were under construction at December 31, 2008, as they were expected to sell in 2009. One of these properties met the criteria for discontinued operations upon sale and the \$1.3 million impairment charge related to this property is accordingly reflected in discontinued operations.

General and Administrative Expense

General and administrative expense increased from \$39.5 million in 2008 to \$47.9 million in 2009. General and administrative expenses consist of two components. The first component includes general corporate expenses and the second component includes the indirect operating costs not allocated to the development or operations of our owned properties and Service Operations. Those indirect costs not allocated to these operations are charged to general and administrative expenses. The increase in general and administrative expenses is primarily the result of a \$4.8 million increase in severance pay. Other than this expense item, we reduced our total overhead costs by \$22.7 million to compensate for the reduction in the volume of leasing and construction activity. However, the absorption of actual overhead costs by an allocation to leasing, construction and other areas decreased by \$26.3 million, which, when netted with the \$22.7 million reduction in costs, resulted in the remaining increase in general and administrative expenses.

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Interest Expense

Interest expense from continuing operations increased from \$198.4 million in 2008 to \$220.2 million in 2009, primarily as a result of a \$26.6 million decrease in capitalization of interest costs, due to properties previously undergoing significant development activities being placed in service or otherwise not meeting the criteria for the capitalization of interest. Additionally, as the result of the conditions in the credit markets driving up interest rates on new borrowings in 2009, the weighted average interest rate on our total outstanding borrowings increased from 5.43% at December 31, 2008 to 6.36% at December 31, 2009.

Gain on Debt Transactions

During 2009, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2009 through 2011. The majority of our debt repurchases during 2009 were of our 3.75% Exchangeable Senior Notes (Exchangeable Notes). In total, we paid \$500.9 million for unsecured notes that had a face value of \$542.9 million, recognizing a net gain on extinguishment of approximately \$27.5 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments. Partially offsetting these gains, we recognized \$6.8 million of expense in 2009 for the write-off of fees paid for a pending secured financing that we cancelled in the third quarter of 2009.

Income Taxes

We recognized an income tax benefit of \$6.1 million and \$7.0 million, respectively, in 2009 and 2008.

We recorded a net valuation allowance of \$7.3 million against our deferred tax assets during 2009. The valuation allowance was recorded as the result of changes to our projections for future taxable income within our taxable REIT subsidiary. The decreased projection of taxable income was the result of a revision in strategy, whereby we determined that we would indefinitely discontinue the development of Build-for-Sale properties, necessitating the revision of our taxable income projections.

Notwithstanding the valuation allowance recorded during 2009, our taxable REIT subsidiary recognized significantly higher taxable losses in 2009 than in 2008 as the result of the timing and profitability of land and building sales.

Discontinued Operations

The results of operations for properties sold during the year to unrelated parties or classified as held-for-sale at the end of the period are required to be classified as discontinued operations. The property specific components of earnings that are classified as discontinued operations include rental revenues, rental expenses, real estate taxes, allocated interest expense and depreciation expense, as well as the net gain or loss on the disposition of properties.

The operations of 45 buildings are currently classified as discontinued operations. These 45 properties consist of 20 industrial and 25 office properties. As a result, we classified income (loss), before gain on sales, of \$(439,000), \$3.2 million and \$5.6 million in discontinued operations for the years ended December 31, 2009, 2008 and 2007, respectively.

Of these properties, five were sold during 2009, eight properties were sold during 2008 and 32 properties were sold during 2007. The gains on disposal of these properties of \$6.8 million, \$17.0 million and \$121.1 million for the years ended December 31, 2009, 2008 and 2007, respectively, are also reported in discontinued operations. Discontinued operations also includes impairment charges of \$772,000 and \$1.3 million for the years ended December 31, 2009 and

2008, respectively, recognized on properties that were subsequently sold.

Table of Contents**Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007****Rental and Related Revenue**

Overall, rental revenue from continuing operations increased from \$810.5 million in 2007 to \$857.6 million in 2008. The following table reconciles rental revenue from continuing operations by reportable segment to our total reported rental revenue from continuing operations for the years ended December 31, 2008 and 2007, respectively (in thousands):

| | 2008 | 2007 |
|-----------------------------|-------------------|-------------|
| Rental and Related Revenue: | | |
| Office | \$ 555,592 | \$ 550,116 |
| Industrial | 250,078 | 218,055 |
| Non-reportable segments | 51,889 | 42,376 |
| Total | \$ 857,559 | \$ 810,547 |

The primary reasons for the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

In 2008, we acquired five new properties and placed 36 developments in service. These acquisitions and developments provided incremental revenues of \$3.5 million and \$20.4 million, respectively.

Acquisitions and developments that were placed in service in 2007 provided \$10.3 million and \$37.7 million, respectively, of incremental revenue in 2008.

We sold eight properties to an unconsolidated joint venture in 2007, resulting in an \$11.2 million reduction in revenues for the year ended December 31, 2008, as compared to the same period in 2007. Of these properties, seven were sold in the second quarter of 2007 and one was sold in the fourth quarter of 2007.

Rental revenue from continuing operations includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees decreased from \$24.2 million in 2007 to \$9.4 million in 2008.

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2008 and 2007, respectively (in thousands):

| | 2008 | 2007 |
|------------------|-------------|-------------|
| Rental Expenses: | | |

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| | | |
|-------------------------|-------------------|------------|
| Office | \$ 152,856 | \$ 145,214 |
| Industrial | 27,703 | 23,819 |
| Non-reportable segments | 10,705 | 7,003 |
| Total | \$ 191,264 | \$ 176,036 |
| Real Estate Taxes: | | |
| Office | \$ 69,546 | \$ 64,335 |
| Industrial | 30,580 | 27,409 |
| Non-reportable segments | 3,693 | 1,963 |
| Total | \$ 103,819 | \$ 93,707 |

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Of the overall \$15.2 million increase in rental expenses in 2008 compared to 2007, \$11.5 million was attributable to properties acquired and developments placed in service from January 1, 2007 through December 31, 2008. This increase was partially offset by a reduction in rental expenses of \$2.0 million resulting from the sale of eight properties to an unconsolidated joint venture in 2007. Increases in utility costs and snow removal in our existing base of properties also contributed to the overall increase in rental expenses.

Of the overall \$10.1 million increase in real estate taxes in 2008 compared to 2007, \$7.0 million was attributable to properties acquired and developments placed in service from January 1, 2007 through December 31, 2008. The remaining increase in real estate taxes was driven by increases in tax rates and assessed values on our existing properties.

Service Operations

The following table sets forth the components of the Service Operations reportable segment (excluding Build-for-Sale Properties) for the years ended December 31, 2008 and 2007, respectively (in thousands):

| | 2008 | 2007 |
|--|------------|------------|
| Service Operations: | | |
| General contractor and service fee revenue | \$ 434,624 | \$ 311,548 |
| General contractor and other services expenses | (418,743) | (287,936) |
| Total | \$ 15,881 | \$ 23,612 |

The decrease in earnings from Service Operations was primarily due to general contractor expenses being higher than usual in 2008 as a result of increases in our total cost estimates for two third-party fixed price construction contracts, which reduced the margins on the contracts.

Depreciation and Amortization Expense

Depreciation and amortization increased from \$269.7 million in 2007 to \$308.1 million in 2008 due to increases in our real estate asset base from acquisitions and developments placed in service during 2007 and 2008 as well as the result of recording additional depreciation expense in the amount of \$13.2 million for properties removed from held-for-sale classification in 2008.

Equity in Earnings of Unconsolidated Companies

Equity in earnings decreased from \$29.4 million in 2007 to \$23.8 million in 2008 largely as the result of our \$7.0 million share of additional depreciation expense recognized when two properties owned by unconsolidated retail joint ventures were removed from held-for-sale classification. The additional depreciation expense was partially offset by an increase in gain on building sales in 2008 compared to 2007. During 2007, our joint ventures sold ten non-strategic buildings, with our share of the net gain recognized through equity in earnings totaling \$8.0 million, compared to five joint venture building sales in 2008, with \$10.1 million recorded to equity in earnings for our share of the net gains.

Gain on Sale of Properties

Gains on sales of properties increased from \$34.7 million in 2007 to \$39.1 million in 2008. We sold 15 properties in 2007 compared to 14 properties in 2008. The properties sold in 2007 and 2008 were part of our Build-for-Sale

program, which is no longer a significant part of our Service Operations.

Earnings from Sales of Land

Earnings from sales of land decreased from \$34.0 million in 2007 to \$12.7 million in 2008. The decrease in earnings was the result of several significant and high margin land sales during 2007 compared to decreased activity in 2008 as the result of the downturn in the real estate market and in the overall economy.

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Impairment Charges

Impairment charges consisted of impairment charges recognized on our long-lived assets as well as the write-off of previously capitalized costs of potential projects that we determined are no longer likely to be pursued. The increase from \$5.7 million in 2007 to \$18.5 million in 2008 was largely the result of a re-assessment of our intended use of some of our land holdings, as well as the negative effect of the overall economy on real estate values in certain of our markets. We recognized non-cash impairment charges in 2008 on seven of our tracts of undeveloped land totaling \$8.6 million. Additionally, as the result of the economy's negative effect on real estate selling prices, we recognized \$2.8 million of impairment charges on two of our properties that were under construction at December 31, 2008, as they were expected to sell in 2009. One of these properties met the criteria for discontinued operations upon sale and the \$1.3 million impairment charge related to this property is accordingly reflected in discontinued operations.

The remaining \$8.3 million and \$5.7 million of activity in 2008 and 2007, respectively, primarily pertained to costs previously capitalized for potential projects that we later determined would not be pursued.

General and Administrative Expense

General and administrative expense increased from \$37.7 million in 2007 to \$39.5 million in 2008. The increase in general and administrative expenses was largely driven by a \$10.9 million decrease in overhead costs allocated to leasing and construction activity based on decreased volume in these areas. Offsetting the decreased allocation of general and administrative expenses to operating activities was a \$9.1 million decrease in total overhead costs in 2008 as we focused on overhead reduction opportunities.

Interest Expense

Interest expense from continuing operations increased from \$175.0 million in 2007 to \$198.4 million in 2008. The increase is primarily the result of interest costs related to development projects that were placed in service in late 2007 and 2008 where the costs to finance these projects were capitalized during construction. Overall, our weighted average interest rates remained fairly consistent from 2007 to 2008, as the weighted average interest rate on our unsecured notes increased from 5.73% to 5.93%, while we experienced lower interest rates throughout 2008 on our LIBOR-based unsecured lines of credit.

Income Taxes

We recognized an income tax expense of \$6.3 million and an income tax benefit of \$7.0 million, respectively, in 2007 and 2008. Our taxable REIT subsidiary recognized taxable losses in 2008, compared to taxable income in 2007, as the result of the timing of land and building sales.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Our estimates, judgments and assumptions are inherently subjective and based on the existing business and market conditions, and are therefore continually evaluated based upon available information and experience. Note 2 to the Consolidated Financial Statements includes further discussion of our significant accounting policies. Our management has assessed the accounting policies used in the preparation of our financial statements and discussed them with our Audit Committee and independent auditors. The following accounting policies are considered critical based upon

materiality to the financial statements, degree of judgment involved in estimating reported amounts and sensitivity to changes in industry and economic conditions:

Accounting for Joint Ventures: We analyze our investments in joint ventures to determine if the joint venture is a variable interest entity (a VIE) and would require consolidation. We (a) evaluate the sufficiency of the total equity at risk, (b) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. We would consolidate a venture that is determined to be a VIE if we were the primary beneficiary. Beginning January 1, 2010, a new accounting standard will be effective and will change the method by which the primary beneficiary of a VIE is determined to a primarily qualitative approach whereby the variable interest holder, if any, that controls a VIE s most significant activities is the primary beneficiary. To the extent that our joint ventures do not qualify as VIEs, we further assess each partner s substantive participating rights to determine if the venture should be consolidated.

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We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that own and operate rental properties and hold land for development. To the extent applicable, we consolidate those joint ventures that are considered to be VIEs where we are the primary beneficiary. For non-variable interest entities, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing entity and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. We recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

Cost Capitalization: Direct and certain indirect costs, including interest, clearly associated with and incremental to the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property.

We capitalize interest and direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use. We believe the completion of the building shell is the proper basis for determining substantial completion and that this basis is the most widely accepted standard in the real estate industry. The interest rate used to capitalize interest is based upon our average borrowing rate on existing debt.

We also capitalize direct and indirect costs, including interest costs, on vacant space during extended lease-up periods after construction of the building shell has been completed if costs are being incurred to ready the vacant space for its intended use. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized. We cease capitalization of all project costs on extended lease-up periods after the shorter of a one-year period after the completion of the building shell or when the property attains 90% occupancy. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized.

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In assessing the amount of indirect costs to be capitalized, we first allocate payroll costs, on a department-by-department basis, among activities for which capitalization is warranted (i.e., construction, development and leasing) and those for which capitalization is not warranted (i.e., property management, maintenance, acquisitions and dispositions and general corporate functions). To the extent the employees of a department split their time between capitalizable and non-capitalizable activities, the allocations are made based on estimates of the actual amount of time spent in each activity. Once the payroll costs are allocated, the non-payroll costs of each department are allocated among the capitalizable and non-capitalizable activities in the same proportion as payroll costs.

To ensure that an appropriate amount of costs are capitalized, the amount of capitalized costs that are allocated to a specific project are limited to amounts using standards we developed. These standards consist of a percentage of the total development costs of a project and a percentage of the total gross lease amount payable under a specific lease. These standards are derived after considering the amounts that would be allocated if the personnel in the departments were working at full capacity. The use of these standards ensures that overhead costs attributable to downtime or to unsuccessful projects or leasing activities are not capitalized.

Impairment of Real Estate Assets: We evaluate our real estate assets, with the exception of those that are classified as held-for-sale, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, we compare the carrying amount of that real estate asset, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that asset, or asset group. Our estimate of the expected future cash flows used in testing for impairment is based on, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other tenant concessions, assumptions regarding the residual value of our properties at the end of our anticipated holding period and the length of our anticipated holding period and is, therefore, subjective by nature. These assumptions could differ materially from actual results. If our strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of a real estate asset, or asset group, exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value.

The determination of the fair value of real estate assets is also highly subjective, especially in markets where there is a lack of recent comparable transactions. We primarily utilize the income approach to estimate the fair value of our income producing real estate assets. To the extent that the assumptions used in testing long-lived assets for impairment differ from those of a marketplace participant, the assumptions are modified in order to estimate the fair value of a real estate asset when an impairment charge is measured. In addition to determining future cash flows, which make the estimation of a real estate asset's undiscounted cash flows highly subjective, the selection of the discount rate and exit capitalization rate used in applying the income approach is also highly subjective.

To the extent applicable marketplace data is available, we generally use the market approach in estimating the fair value of undeveloped land that is determined to be impaired.

Real estate assets that are classified as held-for-sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell.

Acquisition of Real Estate Property and Related Assets: We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Beginning January 1, 2009, we record assets acquired in step acquisitions at their full fair value and record a gain or loss for the difference between the fair value and the carrying value of our existing equity interest. Additionally, beginning January 1, 2009, contingencies

arising from a business combination are recorded at fair value if the acquisition date fair value can be determined during the measurement period.

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The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The purchase price of real estate assets is also allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships.

The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using an interest rate which reflects the risks associated with the lease) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using current fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in deferred leasing and other costs in the balance sheet and below market leases are included in other liabilities in the balance sheet; both are amortized to rental income over the remaining terms of the respective leases.

The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values, based upon management's assessment of their respective values. These intangible assets are included in deferred leasing and other costs in the balance sheet and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

Valuation of Receivables: We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform in-house credit reviews and analyses on major existing tenants and all significant prospective tenants before leases are executed. We have established the following procedures and policies to evaluate the collectability of outstanding receivables and record allowances:

We maintain a tenant watch list containing a list of significant tenants for which the payment of receivables and future rent may be at risk. Various factors such as late rent payments, lease or debt instrument defaults, and indications of a deteriorating financial position are considered when determining whether to include a tenant on the watch list.

As a matter of policy, we reserve the entire receivable balance, including straight-line rent, of any tenant with an amount outstanding over 90 days.

Straight-line rent receivables for any tenant on the watch list or any other tenant identified as a potential long-term risk, regardless of the status of rent receivables, are reviewed and reserved as necessary.

Construction Contracts: We recognize income on construction contracts where we serve as a general contractor on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon our estimates of the percentage of completion of the construction contract. To the extent that a fixed-price contract is estimated to result in a loss, the loss is recorded immediately. Cumulative revenues recognized may be less or greater than cumulative costs and profits billed at any point in time during a contract's term. This revenue recognition method involves inherent risks relating to profit and cost estimates with those risks reduced through approval and monitoring processes.

With regard to critical accounting policies, management has discussed the following with the Audit Committee:

Criteria for identifying and selecting our critical accounting policies;
Methodology in applying our critical accounting policies; and
Impact of the critical accounting policies on our financial statements.

The Audit Committee has reviewed the critical accounting policies identified by management.

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Table of Contents**Liquidity and Capital Resources****Sources of Liquidity**

As the result of generating capital in excess of \$1.6 billion through a common equity issuance, secured and unsecured borrowings, and property dispositions, we have repaid the entire balance on DRLP's unsecured line of credit and created capacity, through cash and availability on the line, to meet our short-term liquidity requirements over the next twelve months.

We expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other non-recurring capital improvements, through multiple sources of capital including operating cash flow and accessing the public debt and equity markets.

Rental Operations

We believe our primary source of liquidity, cash flows from Rental Operations, provides a stable source of cash to fund operational expenses. We believe that this cash-based revenue stream is substantially aligned with revenue recognition (except for periodic straight-line rental income accruals and amortization of above or below market rents) as cash receipts from the leasing of rental properties are generally received in advance of or in a short time following the actual revenue recognition.

We are subject to a number of risks as a result of current economic conditions, including reduced occupancy, tenant defaults and bankruptcies, and potential reduction in rental rates upon renewal or re-letting of properties, each of which would result in reduced cash flow from operations. In 2009, we recognized \$12.0 million of expense related to reserving doubtful receivables, including reserves on straight-line rent, compared to \$5.2 million in 2008.

Unsecured Debt and Equity Securities

Our unsecured lines of credit as of December 31, 2009 are described as follows (in thousands):

| Description | Borrowing Capacity | Maturity Date | Outstanding Balance at December 31, 2009 |
|--|--------------------|---------------|--|
| Unsecured Line of Credit DRLP | \$ 850,000 | February 2013 | \$ - |
| Unsecured Line of Credit Consolidated Subsidiary | \$ 30,000 | July 2011 | \$ 15,770 |

On November 20, 2009, the Company and DRLP renewed its unsecured line of credit. Under terms of the renewal, the DRLP unsecured line of credit has a borrowing capacity of \$850.0 million with an interest rate on borrowings of 275 basis points over the applicable LIBOR rate, and matures in February 2013. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional \$200.0 million, for a total of up to \$1.05 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage and debt-to-asset value (with asset value being defined in the DRLP unsecured line of credit agreement). As of December 31, 2009, we were in compliance with all covenants under this line of credit.

In April 2009, we received \$551.4 million of net proceeds from the issuance of approximately 75.2 million shares of common stock. The net proceeds from the offering were used to repay outstanding borrowings under the DRLP unsecured revolving line of credit as well as for general corporate purposes.

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In August 2009, we issued \$500.0 million of senior unsecured notes in two equal tranches. The first \$250.0 million of the senior unsecured notes mature in February 2015 and bear interest at an effective rate of 7.50%, while the other \$250.0 million of the senior unsecured notes mature in August 2019 and bear interest at an effective rate of 8.38%. The net proceeds from the issuance were primarily used to repurchase outstanding unsecured notes, both on the open market and through cash tender offers, maturing through December 2011.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants, as well as applicable covenants under our unsecured line of credit, as of December 31, 2009.

At December 31, 2009, we had on file with the SEC an automatic shelf registration statement on Form S-3, relating to the offer and sale, from time to time, of an indeterminate amount of DRLP's debt securities (including guarantees thereof) and the Company's common shares, preferred shares, depository shares, warrants, stock purchase contracts and units comprised of one or more of these securities. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of the credit facility and other long-term debt upon maturity.

Sale of Real Estate Assets

We pursue opportunities to sell non-strategic real estate assets in order to generate additional liquidity. Our ability to dispose of such properties is dependent on the availability of credit to potential buyers to purchase properties at prices that we consider acceptable. In light of recent market and economic conditions, including, without limitation, the availability and cost of credit, the U.S. mortgage market, and condition of the equity and real estate markets, we may be unable to dispose of such properties quickly, or on favorable terms.

Transactions with Unconsolidated Entities

Transactions with unconsolidated partnerships and joint ventures also provide a source of liquidity. From time to time we will sell properties to an unconsolidated entity, while retaining a continuing interest in that entity, and receive proceeds commensurate to the interest that we do not own. Additionally, unconsolidated entities will from time to time obtain debt financing and will distribute to us, and our partners, all or a portion of the proceeds.

We have a 20% equity interest in an unconsolidated joint venture that may acquire up to \$800.0 million of our newly developed build-to-suit projects over a three-year period from its formation in May 2008. Properties are sold to the joint venture upon completion, lease commencement and satisfaction of other customary conditions. We received net sale and financing proceeds of approximately \$251.6 million, during the year ended December 31, 2008, related to the joint venture's acquisition of seven of our properties. During the year ended December 31, 2009, the joint venture acquired five additional properties from us and we received net sale proceeds, commensurate to our partner's ownership interest, of approximately \$82.5 million.

Uses of Liquidity

Our principal uses of liquidity include the following:

- accretive property investment;
- recurring leasing/capital costs;

dividends and distributions to shareholders and unitholders;
long-term debt maturities;
opportunistic repurchases of outstanding debt; and
other contractual obligations.

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Table of Contents**Property Investment**

We evaluate development and acquisition opportunities based upon market outlook, supply and long-term growth potential. Our ability to make future property investments is dependent upon our continued access to our longer-term sources of liquidity including the issuances of debt or equity securities as well as generating cash flow by disposing of selected properties. In light of current economic conditions, management continues to evaluate our investment priorities and is focused on accretive growth.

We have continued to operate at a substantially reduced level of new development activity, as compared to recent years, and are focused on the core operations of our existing base of properties.

Recurring Expenditures

One of our principal uses of our liquidity is to fund the recurring leasing/capital expenditures of our real estate investments. The following is a summary of our recurring capital expenditures for the years ended December 31, 2009, 2008 and 2007, respectively (in thousands):

| | 2009 | 2008 | 2007 |
|-------------------------------|-----------|-----------|-----------|
| Recurring tenant improvements | \$ 29,321 | \$ 36,885 | \$ 45,296 |
| Recurring leasing costs | 40,412 | 28,205 | 32,238 |
| Building improvements | 9,321 | 9,724 | 8,402 |
| Totals | \$ 79,054 | \$ 74,814 | \$ 85,936 |

Dividends and Distributions

We are required to meet the distribution requirements of the Internal Revenue Code of 1986, as amended (the Code), in order to maintain our REIT status. Because depreciation and impairments are non-cash expenses, cash flow will typically be greater than operating income. We paid dividends per share of \$0.76, \$1.93 and \$1.91 for the years ended December 31, 2009, 2008 and 2007, respectively. We expect to continue to distribute at least an amount equal to our taxable earnings, to meet the requirements to maintain our REIT status, and additional amounts as determined by our board of directors. Distributions are declared at the discretion of our board of directors and are subject to actual cash available for distribution, our financial condition, capital requirements and such other factors as our board of directors deems relevant.

At December 31, 2009 we had six series of preferred shares outstanding. The annual dividend rates on our preferred shares range between 6.5% and 8.375% and are paid in arrears quarterly.

Debt Maturities

Debt outstanding at December 31, 2009 had a face value totaling \$3.9 billion with a weighted average interest rate of 6.36% maturing at various dates through 2028. We had \$3.1 billion of unsecured debt, \$15.8 million outstanding on a consolidated subsidiary's unsecured line of credit and \$784.7 million of secured debt outstanding at December 31, 2009. We made scheduled and unscheduled principal payments of \$1.2 billion on outstanding debt (including repurchases of outstanding debt discussed below) during the year ended December 31, 2009.

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The following is a summary of the scheduled future amortization and maturities of our indebtedness at December 31, 2009 (in thousands, except percentage data):

| Year | Future Repayments | | | Weighted Average Interest Rate of Future Repayments |
|------------|------------------------|--------------|--------------|---|
| | Scheduled Amortization | Maturities | Total | |
| 2010 | \$ 11,456 | \$ 99,849 | \$ 111,305 | 5.48% |
| 2011 | 11,621 | 611,484 | 623,105 | 5.30% |
| 2012 | 9,767 | 213,134 | 222,901 | 5.84% |
| 2013 | 9,819 | 475,000 | 484,819 | 6.49% |
| 2014 | 10,113 | 272,112 | 282,225 | 6.44% |
| 2015 | 8,785 | 250,000 | 258,785 | 7.45% |
| 2016 | 7,994 | 490,900 | 498,894 | 6.16% |
| 2017 | 6,508 | 469,324 | 475,832 | 5.94% |
| 2018 | 4,671 | 300,000 | 304,671 | 6.08% |
| 2019 | 3,463 | 518,438 | 521,901 | 7.98% |
| 2020 | 3,234 | - | 3,234 | 5.55% |
| Thereafter | 21,205 | 50,000 | 71,205 | 6.80% |
| | \$ 108,636 | \$ 3,750,241 | \$ 3,858,877 | 6.36% |

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We anticipate generating capital to fund our debt maturities by using undistributed cash generated from rental operations and property dispositions, as well as by raising additional capital from future debt or equity transactions.

Repurchases of Outstanding Debt

During 2009, through a cash tender offer as well as open market transactions, we paid \$500.9 million to repurchase outstanding unsecured notes with a face value of \$542.9 million. We expect to use a portion of the cash we have on hand at December 31, 2009 to repay unsecured notes maturing in 2010.

Guarantee Obligations

We are subject to various guarantee obligations in the normal course of business and, in most cases, do not anticipate these obligations to result in significant cash payments.

We are, however, subject to a joint and several guarantee of the construction loan agreement of the 3630 Peachtree joint venture. A contingent liability in the amount of \$36.3 million was established in 2009 based on the probability of us being required to pay this obligation to the lender.

Historical Cash Flows

Cash and cash equivalents were \$147.3 million and \$22.5 million at December 31, 2009 and 2008, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in millions):

| | Years Ended December 31, | | |
|--|--------------------------|------------|------------|
| | 2009 | 2008 | 2007 |
| Net Cash Provided by Operating Activities | \$ 400,472 | \$ 642,847 | \$ 323,931 |
| Net Cash Used for Investing Activities | (175,948) | (522,592) | (434,819) |
| Net Cash Provided by (Used for) Financing Activities | (99,734) | (145,735) | 90,417 |

Operating Activities

Cash flows from operating activities provide the cash necessary to meet normal operational requirements of our Rental Operations and Service Operations activities. The receipt of rental income from Rental Operations continues to provide the primary source of our revenues and operating cash flows. In addition, we have historically developed Build-for-Sale properties with the intent to sell them at or soon after completion. As part of a refinement to our strategy, we have ceased new Build-for-Sale development activity to focus on completion of existing projects. Highlights of operating cash changes are as follows:

During the year ended December 31, 2009, we incurred Build-for-Sale property development costs of \$16.9 million, compared to \$216.1 million and \$281.1 million for the years ended December 31, 2008 and 2007, respectively. The decrease is a result of the planned elimination of our Build-for-Sale program.

We sold three Build-for-Sale properties in 2009 compared to 14 in 2008 and 15 in 2007, receiving net proceeds of \$31.9 million, \$343.0 million and \$232.6 million, respectively. The 2009 sales were nearly break-even, while the 2008 and 2007 sales resulted in pre-tax gains of \$39.1 million and \$34.7 million, respectively.

Net cash flows from third-party construction contracts totaled a net outflow of \$4.6 million for the year ended December 31, 2009, compared to a net inflow of \$125.9 million and a net outflow of \$25.8 million for the years ended December 31, 2008 and 2007, respectively. The increase in 2008 was largely driven by \$105.1 million in cash proceeds from the 2008 sale of a parcel of land that was completed in conjunction with a significant third-party construction project.

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Investing activities are one of the primary uses of our liquidity. Development and acquisition activities typically generate additional rental revenues and provide cash flows for operational requirements. Highlights of significant cash sources and uses are as follows:

Development expenditures for our held-for-rental portfolio totaled \$268.9 million for the year ended December 31, 2009, compared to \$436.3 million and \$451.2 million for the years ended December 31, 2008 and 2007, respectively. The decrease is in line with our planned reduction in new development activity. During 2009, we paid cash of \$31.7 million for real estate acquisitions, compared to \$20.1 million in 2008 and \$117.4 million in 2007. In addition, we paid cash of \$5.5 million for undeveloped land in 2009, compared to \$40.9 million in 2008 and \$317.3 million in 2007. The cash paid for real estate acquisitions in 2007 included \$55.4 million for a portfolio of industrial properties located in Seattle, Virginia and Houston. Sales of land and depreciated property provided \$256.3 million in net proceeds in 2009, compared to \$116.6 million in 2008 and \$480.9 million in 2007. We sold portfolios of eight suburban office properties in our Cleveland market and twelve industrial properties in our St. Louis market during 2007, which together provided \$203.5 million of the net proceeds received in 2007.

During 2009, we contributed or advanced \$23.5 million to fund development activities within unconsolidated companies, compared to \$132.2 million in 2008 and \$142.3 million in 2007. The decrease was largely as the result of a planned reduction in new development.

We received capital distributions (as a result of the sale of properties or refinancing) from unconsolidated subsidiaries of \$95.4 million in 2008 and \$235.8 million in 2007. We received no such distributions from unconsolidated companies in 2009.

Financing Activities

The following items highlight significant capital transactions:

In order to retain additional cash to help meet our capital needs, we reduced our quarterly dividend beginning in the first quarter of 2009. We paid cash dividends of \$0.76 per common share in 2009, compared to cash dividends of \$1.93 per common share in 2008 and \$1.91 per common share in 2007.

In November 2009, we repaid \$82.1 million of senior unsecured notes with an effective interest rate of 7.86% on their scheduled maturity date. In February 2009, we repaid \$124.0 million of corporate unsecured debt with an effective interest rate of 6.83% on its scheduled maturity date. This compares to repayments of \$125.0 million and \$100.0 million of senior unsecured notes with effective interest rates of 3.36% and 6.76% on their scheduled maturity dates in January 2008 and May 2008, respectively. We also repaid \$100.0 million of senior unsecured notes with an effective interest rate of 7.47% on their scheduled maturity date in August 2007 and \$100.0 million of corporate unsecured debt with an effective interest rate of 3.63% on their scheduled maturity date in November 2007.

We decreased net borrowings on DRLP's \$850.0 million line of credit by \$474.0 million for the year ended December 31, 2009, completely repaying the outstanding balance, compared to a decrease of \$69.0 million in 2008 and an increase of \$226.0 million in 2007.

In August 2009, we issued \$250.0 million of senior unsecured notes due in 2015 bearing interest at an effective rate of 7.50% and \$250.0 million of senior unsecured notes due in 2019 bearing interest at an effective rate of 8.38%. This compares to issuances of senior unsecured notes in May 2008 and September

2007, respectively, of \$325.0 million with an effective interest rate of 7.36% due in 2013 and \$300.0 million with an effective interest rate of 6.16% due in 2018.

Throughout 2009 and the fourth quarter of 2008, we repurchased certain of our outstanding series of unsecured notes maturing in 2009 through 2011. In 2009, cash payments of \$500.9 million were made to repurchase notes with a face value of \$542.9 million, compared to cash payments of \$36.5 million made in the fourth quarter of 2008 for notes with a face value of \$38.5 million.

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In February, March and July 2009, we received cash proceeds of \$270.0 million from three 10-year secured debt financings that are secured by 32 rental properties. The secured debt bears interest at a weighted average rate of 7.69% and matures at various points in 2019.

In April 2009, we issued 75.2 million shares of common stock for net proceeds of \$551.4 million. The proceeds from this offering were contributed to DRLP in exchange for additional units in DRLP and were used to repay outstanding borrowings under the DRLP unsecured revolving line of credit and for other general corporate purposes. We had no common stock issuances in 2008, but we issued 7.0 million shares of our common stock in October 2007 for net proceeds of \$232.7 million.

During the fourth quarter of 2008, we opportunistically repurchased a portion of all outstanding series of preferred shares in the open market in order to take advantage of the significant discounts at which they were trading. In total, we repurchased preferred shares having a redemption value of approximately \$27.4 million for \$12.4 million, which resulted in an approximate \$14.0 million gain on repurchase after considering the charge-off of offering costs from those shares.

In March 2008, we settled three forward-starting swaps and made a cash payment of \$14.6 million to the counterparties.

In February 2008, we received net proceeds of approximately \$290.0 million from the issuance of shares of our Series O Cumulative Redeemable Preferred Stock; we had no new preferred equity issuances in 2009.

In October 2007, we redeemed all of the outstanding shares of our 7.990% Series B Cumulative Redeemable Preferred Stock at the liquidation amount of \$132.3 million.

Credit Ratings

We are currently assigned investment grade corporate credit ratings on our senior unsecured notes from Moody's Investors Service and Standard and Poor's Ratings Group. Our senior unsecured notes have been assigned ratings of BBB- and Baa2 by Standard and Poor's Ratings Group and Moody's Investors Service, respectively.

Our preferred shares carry ratings of BB+ and Baa3 from Standard and Poor's Ratings Group and Moody's Investors Service, respectively.

The ratings of our senior unsecured notes and preferred shares could change based upon, among other things, the impact that prevailing economic conditions may have on our results of operations and financial condition.

Financial Instruments

We are exposed to capital market risk, such as changes in interest rates. In order to reduce the volatility relating to interest rate risk, we may enter into interest rate hedging arrangements from time to time. We do not utilize derivative financial instruments for trading or speculative purposes.

Off Balance Sheet Arrangements

Investments in Unconsolidated Companies

We have equity interests generally ranging from 10% to 50% in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. Our unconsolidated subsidiaries are primarily engaged in the operations and development of Industrial, Office and Medical Office real estate properties. We hold interests both in joint ventures that operate real estate for long-term investment and rental income (Operating Joint Ventures) as well as joint ventures that develop properties with the intent to sell within a relatively short period of time after completion and lease-up (Development Joint Ventures). The equity method of accounting (see Critical Accounting Policies) is used for these investments in which we have the ability to exercise significant influence, but

not control, over operating and financial policies. As a result, the assets and liabilities of these joint ventures are not included on our balance sheet. Total assets of our unconsolidated subsidiaries were \$2.6 billion as of both December 31, 2009 and 2008.

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Our investments in and advances to unconsolidated companies represent approximately 7% and 9% of our total assets as of December 31, 2009 and 2008, respectively. These investments provide several benefits to us, including increased market share, tenant and property diversification and an additional source of capital to fund real estate projects.

The following table presents summarized financial information for unconsolidated companies for the years ended December 31, 2009 and 2008, respectively (in thousands, except percentage data):

| | Operating | | Development | | Total | |
|--|----------------|--------------|----------------|------------|--------------|--------------|
| | Joint Ventures | | Joint Ventures | | Total | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land, buildings and tenant improvements, net | \$ 1,919,553 | \$ 1,802,999 | \$ 152,882 | \$ 215,385 | \$ 2,072,435 | \$ 2,018,384 |
| Construction in progress | 36,902 | 44,071 | 91,355 | 148,082 | 128,257 | 192,153 |
| Undeveloped land | 25,323 | 24,739 | 151,033 | 154,285 | 176,356 | 179,024 |
| Other assets | 201,355 | 191,149 | 58,894 | 47,897 | 260,249 | 239,046 |
| | \$ 2,183,133 | \$ 2,062,958 | \$ 454,164 | \$ 565,649 | \$ 2,637,297 | \$ 2,628,607 |
| Indebtedness | \$ 1,024,661 | \$ 1,029,815 | \$ 295,035 | \$ 195,947 | \$ 1,319,696 | \$ 1,225,762 |
| Other liabilities | 58,239 | 56,632 | 17,154 | 191,461 | 75,393 | 248,093 |
| | 1,082,900 | 1,086,447 | 312,189 | 387,408 | 1,395,089 | 1,473,855 |
| Owners equity | 1,100,233 | 976,511 | 141,975 | 178,241 | 1,242,208 | 1,154,752 |
| | \$ 2,183,133 | \$ 2,062,958 | \$ 454,164 | \$ 565,649 | \$ 2,637,297 | \$ 2,628,607 |
| Rental revenue | \$ 252,973 | \$ 230,733 | \$ 1,814 | \$ 19,579 | \$ 254,787 | \$ 250,312 |
| Gain on sale of properties | \$ - | \$ 982 | \$ - | \$ 23,432 | \$ - | \$ 24,414 |
| Net income (loss) | \$ 14,030 | \$ 22,123 | \$ (4,270) | \$ 18,314 | \$ 9,760 | \$ 40,437 |
| Total square feet | 41,639 | 39,854 | 2,568 | 3,236 | 44,207 | 43,090 |
| Percent leased | 88.21% | 91.19% | 66.76% | 33.05% | 86.31% | 86.66% |
| Company ownership percentage | 10%-50% | 10%-50% | 50% | 50% | | |

We do not have any relationships with unconsolidated entities or financial partnerships (special purpose entities) that have been established solely for the purpose of facilitating off-balance sheet arrangements.

Contractual Obligations

At December 31, 2009, we were subject to certain contractual payment obligations as described in the table below:

| Contractual Obligations | Total | Payments due by Period (in thousands) | | | | | |
|--|--------------|---------------------------------------|------------|------------|------------|------------|--------------|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter |
| Long-term debt (1) | \$ 4,338,743 | \$ 301,079 | \$ 789,057 | \$ 377,120 | \$ 612,961 | \$ 395,988 | \$ 1,862,538 |
| Lines of credit (2) | 30,263 | 4,727 | 20,372 | 4,446 | 718 | - | - |
| Share of debt of unconsolidated joint ventures (3) | 591,962 | 207,817 | 98,971 | 60,784 | 42,368 | 25,292 | 156,730 |
| Ground leases | 84,436 | 2,076 | 2,090 | 1,950 | 1,882 | 1,902 | 74,536 |
| Operating leases | 1,297 | 518 | 364 | 142 | 102 | 89 | 82 |

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| | | | | | | | |
|--|---------------------|-------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| Development and construction backlog costs (4) | 878,033 | 472,542 | 305,491 | 100,000 | - | - | - |
| Other (5) | 1,565 | 529 | 223 | 225 | 227 | 88 | 273 |
| Total Contractual Obligations | \$ 5,926,299 | \$ 989,288 | \$ 1,216,568 | \$ 544,667 | \$ 658,258 | \$ 423,359 | \$ 2,094,159 |

- (1) Our long-term debt consists of both secured and unsecured debt and includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rates as of December 31, 2009.
- (2) Our unsecured lines of credit consist of an operating line of credit that matures February 2013 and the line of credit of a consolidated subsidiary that matures July 2011. Interest expense for our unsecured lines of credit was calculated using the most recent stated interest rates that were in effect.
- (3) Our share of unconsolidated joint venture debt includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2009.
- (4) Represents estimated remaining costs on the completion of owned development projects and third-party construction projects.
- (5) Represents other contractual obligations.

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Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2009, 2008 and 2007, respectively, we earned management fees of \$8.4 million, \$7.8 million and \$7.1 million, leasing fees of \$4.2 million, \$2.8 million and \$4.2 million and construction and development fees of \$10.2 million, \$12.7 million and \$13.1 million from these companies. We recorded these fees based on contractual terms that approximate market rates for these types of services, and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

Commitments and Contingencies

We have guaranteed the repayment of \$82.1 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of eight of our unconsolidated subsidiaries. At December 31, 2009, the maximum guarantee exposure for these loans was approximately \$346.9 million. With the exception of the guarantee of the debt of 3630 Peachtree joint venture, for which we have recorded a contingent liability, management believes that the value of the underlying real estate exceeds the associated loan balances and that we will not be required to satisfy these guarantees.

In October 2000, we sold or contributed industrial properties and undeveloped land with a fair value of \$487.0 million to a joint venture (Dugan Realty LLC) in which we have a 50% interest and recognized a net gain of \$35.2 million. In connection with this transaction, the joint venture partners were given an option to put up to a \$50.0 million interest in the joint venture to us in exchange for our common stock or cash (at our option), subject to certain timing and other restrictions. As a result of this put option, we deferred \$10.2 million of gain on sale of depreciated property and recorded a \$50.0 million liability.

We lease certain land positions with terms extending to May 2070, with a total obligation of \$84.4 million. No payments on these ground leases are material in any individual year.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our consolidated financial statements or results of operations.

Recent Accounting Pronouncements

On January 1, 2009, we adopted a newly effective accounting standard for convertible debt instruments that may be settled in cash upon conversion. The new standard requires separate accounting for the debt and equity components of certain convertible instruments. Our Exchangeable Notes issued in November 2006 have an exchange rate of 20.47 common shares per \$1,000 principal amount of the notes, representing an exchange price of \$48.85 per share of our common stock. The Exchangeable Notes were subject to the accounting changes required by the new standard, which required that the value assigned to the debt component equal the estimated fair value of debt with similar contractual cash flows, but without the conversion feature, resulting in the debt being recorded at a discount. The resulting debt discount will be amortized over the period from its issuance through November 2011, the first optional redemption date, as additional non-cash interest expense.

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At December 31, 2009, the Exchangeable Notes had \$235.4 million of principal outstanding, an unamortized discount of \$6.0 million and a net carrying amount of \$229.4 million. The carrying amount of the equity component was \$34.7 million at December 31, 2009. Subsequent to the implementation of the new standard, interest expense is recognized on the Exchangeable Notes at an effective rate of 5.6%. The increase to interest expense (in thousands) on the Exchangeable Notes, which led to a corresponding decrease to net income, for the years ended December 31, 2009, 2008 and 2007 is summarized as follows:

| | 2009 | 2008 | 2007 |
|---|------------------|------------------|------------------|
| Interest expense on Exchangeable Notes, excluding effect of accounting for convertible debt | \$ 14,850 | \$ 21,574 | \$ 21,594 |
| Effect of accounting for convertible debt | 5,024 | 6,536 | 6,151 |
| Total interest expense on Exchangeable Notes | \$ 19,874 | \$ 28,110 | \$ 27,745 |

In June 2009, the FASB issued a new accounting standard that will be effective on January 1, 2010. This accounting standard is a revision to a previous FASB interpretation and changes how a reporting entity evaluates whether an entity is a VIE and which entity is considered the primary beneficiary of a VIE and is therefore required to consolidate such VIE. This accounting standard will also require assessments at each reporting period of which party within the VIE is considered the primary beneficiary and will require a number of new disclosures related to VIEs. We do not anticipate this new accounting standard to have a significant impact on our financial position and results of operations upon adoption.

Item 7A. Quantitative and Qualitative Disclosure About Market Risks

We are exposed to interest rate changes primarily as a result of our line of credit and long-term borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates. We do not enter into derivative or interest rate transactions for speculative purposes. Our two outstanding swaps, that fixed the rates on two of our variable rate loans, were not significant to the Financial Statements in terms of notional amount or fair value at December 31, 2009.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts (in thousands) of the expected annual maturities, weighted average interest rates for the average debt outstanding in the specified period, fair values (in thousands) and other terms required to evaluate the expected cash flows and sensitivity to interest rate changes.

| | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter | Total | Fair Value |
|--------------------------------|-----------|------------|------------|------------|------------|--------------|--------------|--------------|
| Fixed rate secured debt | \$ 10,706 | \$ 22,975 | \$ 10,153 | \$ 8,939 | \$ 31,290 | \$ 681,122 | \$ 765,185 | \$ 770,255 |
| Weighted average interest rate | 6.91% | 7.16% | 6.76% | 6.61% | 7.44% | 6.62% | | |
| Variable rate secured debt | \$ 750 | \$ 785 | \$ 12,748 | \$ 880 | \$ 935 | \$ 3,400 | \$ 19,498 | \$ 14,419 |
| Weighted average interest rate | 0.80% | 0.81% | 4.73% | 0.83% | 0.83% | 0.56% | | |
| Fixed rate unsecured notes | \$ 99,849 | \$ 583,575 | \$ 200,000 | \$ 475,000 | \$ 250,000 | \$ 1,450,000 | \$ 3,058,424 | \$ 3,042,230 |
| Weighted average interest rate | 5.37% | 5.35% | 5.87% | 6.50% | 6.33% | 6.79% | | |
| Unsecured lines of credit | \$ - | \$ 15,770 | \$ - | \$ - | \$ - | \$ - | \$ 15,770 | \$ 14,714 |
| Rate at December 31, 2009 | N/A | 1.08% | N/A | N/A | N/A | N/A | | |

As the table incorporates only those exposures that exist as of December 31, 2009, it does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time to the extent we are party to interest rate derivatives, and interest rates. Interest expense on our unsecured lines of credit will be affected by fluctuations in LIBOR indices as well as changes in our credit rating.

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At December 31, 2009 the redemption value of our unsecured notes was \$3.1 billion and we estimated the fair value of those unsecured notes to be \$3.0 billion, whereas at December 31, 2008 the redemption value of our unsecured notes was \$3.3 billion and our estimate of the fair value was \$2.2 billion. Our unsecured notes are thinly traded and our estimate of the fair value of those notes, when compared to their redemption value, has increased significantly since December 31, 2008 largely as the result of recent comparable trades being completed at significantly lower, or no, discounts.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data are included under Item 15 of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no change or disagreement with our accountants related to our accounting and financial disclosures.

Item 9A. Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Report. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer.

Attached as exhibits to this Report are certifications of the Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Disclosure controls and procedures (as defined in Rule 13a-15 and 15d-15f under the Securities Exchange Act of 1934 (the Exchange Act)) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Company's principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Based on the disclosure controls and procedures evaluation referenced above, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Report, our disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting and the audit report of our registered public accounting firm are included in Item 15 of Part IV under the headings Management's Report on Internal Control and Report of Independent Registered Public Accounting Firm, respectively, and are incorporated herein by reference.

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

There was no information required to be disclosed in a report on Form 8-K during the fourth quarter of 2009 for which no Form 8-K was filed.

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The following is a summary of the executive officers of the Company as of January 1, 2010:

Dennis D. Oklak, age 56. Mr. Oklak joined the Company in 1986. He held various senior executive positions within the Company and was promoted to Chief Executive Officer and joined the Company's Board of Directors in April 2004. In April 2005, Mr. Oklak was appointed Chairman of the Board of Directors. Mr. Oklak serves on the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT, and is a member of the Real Estate Roundtable and co-chair of the Roundtable's Sustainability Policy Advisory Committee. From 2003 to 2009, Mr. Oklak was a member of the board of directors of publicly-traded recreational vehicle manufacturer, Monaco Coach Corporation. He also is a member of the board of directors and the Executive Committee of the Central Indiana Corporate Partnership and serves on the Dean's Executive Advisory Board of Ball State University's Miller College of Business. Mr. Oklak has served as a director of the Company since 2004.

Christie B. Kelly, age 48. Ms. Kelly was appointed as Executive Vice President and Chief Financial Officer of the Company effective February 27, 2009. Ms. Kelly has 25 years of experience ranging from financial planning and strategic development to senior leadership roles in financial management, mergers and acquisitions, information technology and investment banking. Prior to joining the Company, Ms. Kelly served as Senior Vice President of the Global Real Estate Group at Lehman Brothers from 2007 to February 2009. Previously, Ms. Kelly was employed by General Electric Company from 1983 to 2007 and served in numerous finance and operational leadership roles, including Business Development Leader for Mergers and Acquisitions for GE Real Estate from 2003 to 2007.

Howard L. Feinsand, age 62. Mr. Feinsand has served as the Company's Executive Vice President and General Counsel since 1999, and, since 2003, also has served as our Corporate Secretary. Mr. Feinsand served on the Company's Board of Directors from 1988 to January 2003. From 1996 until 1999, Mr. Feinsand was the founder and principal of Choir Capital Ltd. From 1995 until 1996, he was Managing Director of Citicorp North America, Inc. He was the Senior Vice President and Manager-Capital Markets, Pricing and Investor Programs of GE Capital Aviation Services, Inc. from 1989 to 1995. From 1971 through 1989, Mr. Feinsand practiced law in New York City. Mr. Feinsand serves as Chair of the Board of Directors of The Alliance Theatre at the Woodruff Arts Center in Atlanta, Georgia and as Vice Chair of the Board of Trustees and member of the Executive Committee of the Woodruff Arts Center. Mr. Feinsand is a trustee of the Jewish Federation of Greater Atlanta.

Steven R. Kennedy, age 53. Mr. Kennedy was named Executive Vice President, Construction on January 1, 2004. From 1986 until 2004, he served in various capacities in the construction group, most recently as Senior Vice President. Mr. Kennedy serves as Vice Chair of the advisory council for Purdue University's School of Engineering.

All other information required by this item will be included in our 2010 proxy statement (the "2010 Proxy Statement") for our Annual Meeting of Shareholders to be held on April 28, 2010, and is incorporated herein by this reference. Certain information with respect to our executive officers required by this item is included in the discussion entitled "Executive Officer of the Registrant" after Item 4 of Part I of this Report. In addition, our Code of Conduct (which applies to each of our associates, officers and directors) and our Corporate Governance Guidelines are available in the investor information/corporate governance section of our website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

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Item 11. Executive Compensation

The information required by Item 11 of this Report will be included in our 2010 Proxy Statement, which information is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 of this Report will be included in our 2010 Proxy Statement, which information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required to be furnished pursuant to Item 13 of this Report will be included in our 2010 Proxy Statement, which information is incorporated herein by this reference.

Item 14. Principal Accountant Fees and Services

The information required to be furnished pursuant to Item 14 of this Report will be included in our 2010 Proxy Statement, which information is incorporated herein by this reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) **The following documents are filed as part of this Annual Report:**

1. Consolidated Financial Statements

The following Consolidated Financial Statements, together with the Management's Report on Internal Control and the Report of Independent Registered Public Accounting Firm are listed below:

Management's Report on Internal Control
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets, December 31, 2009 and 2008
Consolidated Statements of Operations, Years Ended December 31, 2009, 2008 and 2007
Consolidated Statements of Cash Flows, Years Ended December 31, 2009, 2008 and 2007
Consolidated Statements of Changes in Equity, Years Ended December 31, 2009, 2008 and 2007
Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation

3. Exhibits

The following exhibits are filed with this Form 10-K or incorporated herein by reference to the listed document previously filed with the SEC. Previously unfiled documents are noted with an asterisk (*).

| Number | Description |
|---------------|---|
| 3.1(i) | Fourth Amended and Restated Articles of Incorporation of Duke Realty Corporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on July 30, 2009, File No. 001-09044, and incorporated herein by this reference). |

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- 3.2(i) Fourth Amended and Restated Bylaws of Duke Realty Corporation (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, as filed with the SEC on July 30, 2009, File No. 001-09044, and incorporated herein by this reference).
- 4.1(i) Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on September 22, 1995, File No. 001-09044, and incorporated herein by this reference).
- 4.1(ii) Fourth Supplemental Indenture, dated August 21, 1997, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.8 to the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).
- 4.1(iii) Sixth Supplemental Indenture, dated February 12, 1999, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on February 12, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(iv) Eighth Supplemental Indenture, dated November 16, 1999, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on November 15, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(v) Ninth Supplemental Indenture, dated March 5, 2001, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on March 2, 2001, File No. 000-20625, and incorporated herein by this reference).
- 4.1(vi) Eleventh Supplemental Indenture, dated August 26, 2002, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 26, 2002, File No. 000-20625, and incorporated herein by this reference).
- 4.1(vii) Twelfth Supplemental Indenture, dated January 16, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on January 16, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(viii) Thirteenth Supplemental Indenture, dated May 22, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on May 22, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(ix) Seventeenth Supplemental Indenture, dated August 16, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 18, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(x) Nineteenth Supplemental Indenture, dated as of March 1, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to Bank One Trust Company, N.A.), including the form of global note evidencing the 5.5% Senior Notes Due 2016 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).

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- 4.1(xi) Twentieth Supplemental Indenture, dated as of July 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to The First National Bank of Chicago), modifying certain financial covenants contained in Sections 1004 and 1005 of the Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, filed with the SEC on July 28, 2006, and incorporated herein by this reference).
- 4.2(i) Indenture, dated as of July 28, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (filed as Exhibit 4.1 to the Company's automatic shelf registration statement on Form S-3, filed with the SEC on July 31, 2006, and incorporated herein by this reference).
- 4.2(ii) First Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.625% Senior Notes Due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iii) Second Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.95% Senior Notes Due 2017 (filed as Exhibit 4.2 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iv) Third Supplemental Indenture, dated as of September 11, 2007, by and between Duke Realty Limited Partnership and The Bank of New York Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), including the form of global note evidencing the 6.50% Senior Notes Due 2018 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Duke Realty Limited Partnership, filed with the Commission on September 11, 2007).
- 4.2(v) Fourth Supplemental Indenture, dated as of May 8, 2008, by and between Duke Realty Limited Partnership and The Bank of New York Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), including the form of global note evidencing the 6.25% Senior Notes due 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Duke Realty Limited Partnership, filed with the Commission on May 8, 2008).
- 10.1(i) Fourth Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on November 3, 2009, File No. 000-20625).
- 10.3 Promissory Note of the Services Partnership (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-2, as filed with the SEC on June 8, 1993, File No. 33-64038, and incorporated herein by this reference).
- 10.4 Duke Realty Corporation 2005 Long-Term Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, dated March 16, 2005, as filed with the SEC on March 16, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.5 Duke Realty Corporation 2005 Shareholder Value Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.6(i) Duke Realty Corporation Non-Employee Directors Compensation Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#

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- 10.6(ii) Amendment One to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on October 31, 2005, File No. 001-09044, and incorporated by this reference).#
- 10.6(iii) Amendment Two to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on February 7, 2006, File No. 001-09044, and incorporated by this reference).#
- 10.6(iv) Amendment Three to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated by this reference).#
- 10.7 Form of 2005 Long-Term Incentive Plan Stock Option Award Certificate (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.8 Form of 2005 Long-Term Incentive Plan Award Certificate for Restricted Stock Units and Shareholder Value Plan Awards (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.9 Form of 2005 Long-Term Incentive Plan Restricted Stock Unit Award Certificate for Non-Employee Directors (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.10 Duke Realty Corporation 2005 Dividend Increase Unit Replacement Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.11 Form of Forfeiture Agreement/Performance Unit Award Agreement (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(i) 1995 Key Employee Stock Option Plan of the Company (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ii) Amendment One To The 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(iii) Amendment Two to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(iv) Amendment Three to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#

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- 10.15(v) Amendment Four to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vi) Amendment Five to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vii) Amendment Six to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(viii) Amendment Seven to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ix) Amendment Eight to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.15(ix) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference.) #
- 10.15(x) Amendment Nine to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(xi) Amendment Ten to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(i) Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(ii) Amendment One to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(iii) Amendment Two to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(iv) Amendment Three to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(v) Amendment Four to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).#

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- 10.17(i) 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(ii) Amendment One to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(iii) Amendment Two to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(iv) Amendment Three to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(v) Amendment Four to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(vi) Amendment Five to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.18(i) 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Annex F to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.18(ii) Amendment One to the 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.19(i) 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan (filed as Annex G to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.19(ii) Amendment One to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.19(iii) Amendment Two to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(i) 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit A of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2001, File No. 001-09044, and incorporated herein by this reference).#

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- 10.20(ii) Amendment One to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iii) Amendment Two to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 5, 2004, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iv) Amendment Three to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation, (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on May 2, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(i) Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(ii) Amendment One to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.21(ii) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iii) Amendment Two to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iv) Amendment Three to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 99.2 to the Company's Registration Statement on Form S-8, as filed with the SEC on March 24, 2004, File No. 333-113907, and incorporated herein by this reference).#
- 10.22 Term Loan Agreement, Dated May 31, 2005, by and between DRLP, the Company, J.P. Morgan Securities, Inc., JP Morgan Chase Bank, N.A. and the several banks, financial institutions and other entities from time to time parties thereto as lenders (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on June 6, 2005, File No. 001-09044, and incorporated herein by this reference).
- 10.23 (i) Form of Letter Agreement Regarding Executive Severance, dated December 13, 2007, between the Company, as the General Partner of DRLP, and the following executive officers: Dennis D. Oklak, Howard L. Feinsand and Steven R. Kennedy (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on February 29, 2008, File No. 001-09044, and incorporated herein by this reference).
- 10.23(ii) Form of Letter Agreement Regarding Executive Severance, dated May 7, 2009, between the Company and Christie B. Kelly (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 8, 2009, File No. 001-09044, and incorporated herein by this reference).

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- 10.24 Commercial Multi-Property Agreement of Purchase and Sale, dated January 24, 2006, by and among DRLP, The Mark Winkler Company, and each of the other entities controlled by or affiliated with The Mark Winkler Company named therein, as amended by the First Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated February 28, 2006, the Second Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated March 10, 2006, and the Third Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated April 21, 2006 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 10, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.25(i) Sixth Amended and Restated Revolving Credit Agreement dated November 20, 2009, among DRLP, the Company, J.P. Morgan Securities, Inc., Wells Fargo Securities, LLC, and JP Morgan Chase Bank, NA (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on November 25, 2009, File No. 001-09044, and incorporated herein by this reference).
- 10.26 Term Loan Agreement, dated as of February 28, 2006, by and among DRLP, as borrower, the Company, as General Partner and Guarantor, certain of their respective subsidiaries, as guarantors, Bank of America, N.A., individually and as Administrative Agent, Banc of America Securities LLC, as Lead Arranger and Sole Book Runner, and each of the other lenders named therein (filed as Exhibit 10.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.27 Indenture, dated November 22, 2006, by and among DRLP, the Company and The Bank of New York Trust Company, N.A., as trustee, including the form of 3.75% Exchangeable Senior Note due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.28 Registration Rights Agreement, dated November 22, 2006, by and among DRLP, the Company, Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, as representatives of the initial purchasers of the Notes (incorporated by reference to Exhibit 10.11 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.29 Common Stock Delivery Agreement, dated November 22, 2006, by and between DRLP and the Company (filed as Exhibit 10.2 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.30 Contribution Agreement, dated December 5, 2006, by and between DRLP and Quantico and Belbrook Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)
- 10.31 Contribution Agreement, dated December 5, 2006, by and between DRLP and Lafayette and Belcrest Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)

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| 12.1 | Statement of Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.* |
| 21.1 | List of the Company's Subsidiaries.* |
| 23.1 | Consent of KPMG LLP.* |
| 24.1 | Executed Powers of Attorney of certain directors.* |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| 32.1 | Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* ** |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* ** |
| 99.1 | Selected Quarterly Financial Information.* |

Represents management contract or compensatory plan or arrangement.

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Report and are furnished to the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by us for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

(1) Confidential treatment of the agreement was requested.

We will furnish to any security holder, upon written request, copies of any exhibit incorporated by reference, for a fee of 15 cents per page, to cover the costs of furnishing the exhibits. Written requests should include a representation that the person making the request was the beneficial owner of securities entitled to vote at the Annual Meeting of Shareholders.

(b) Exhibits

The exhibits required to be filed with this Report pursuant to Item 601 of Regulation S-K are listed under Exhibits in Part IV, Item 15(a)(3) of this Report and are incorporated herein by reference.

(c) Financial Statement Schedule

The Financial Statement Schedule required to be filed with this Report is listed under Consolidated Financial Statement Schedules in Part IV, Item 15(a)(2) of this Report, and is incorporated herein by reference.

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Management's Report on Internal Control

We, as management of Duke Realty Corporation and its subsidiaries ("Duke"), are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2009 based on the control criteria established in a report entitled Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such evaluation, we have concluded that, as of December 31, 2009, our internal control over financial reporting is effective based on these criteria.

The independent registered public accounting firm of KPMG LLP, as auditors of Duke's consolidated financial statements, has also issued an audit report on Duke's internal control over financial reporting.

/s/ Dennis D. Oklak
Dennis D. Oklak
Chairman and Chief Executive Officer

/s/ Christie B. Kelly
Christie B. Kelly
Executive Vice President and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

The Shareholders and Directors of

Duke Realty Corporation:

We have audited the accompanying consolidated balance sheets of Duke Realty Corporation and Subsidiaries (the Company) as of December 31, 2009 and 2008 and the related consolidated statements of operations, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule III. We also have audited the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Realty Corporation and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, Duke Realty Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Indianapolis, Indiana

February 26, 2010

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets**

As of December 31,

(in thousands, except per share amounts)

| | 2009 | 2008 |
|---|--------------|--------------|
| ASSETS | | |
| Real estate investments: | | |
| Land and improvements | \$ 1,106,016 | \$ 1,077,362 |
| Buildings and tenant improvements | 5,284,103 | 5,220,561 |
| Construction in progress | 103,298 | 159,330 |
| Investments in and advances to unconsolidated companies | 501,121 | 693,503 |
| Undeveloped land | 660,723 | 806,379 |
| | 7,655,261 | 7,957,135 |
| Accumulated depreciation | (1,311,733) | (1,167,113) |
| Net real estate investments | 6,343,528 | 6,790,022 |
| Cash and cash equivalents | 147,322 | 22,532 |
| Accounts receivable, net of allowance of \$3,198 and \$1,777 | 20,604 | 28,026 |
| Straight-line rent receivable, net of allowance of \$6,929 and \$4,086 | 131,934 | 123,863 |
| Receivables on construction contracts, including retentions | 18,755 | 75,100 |
| Deferred financing costs, net of accumulated amortization of \$37,577 and \$38,046 | 54,489 | 47,907 |
| Deferred leasing and other costs, net of accumulated amortization of \$240,151 and \$195,034 | 371,286 | 369,224 |
| Escrow deposits and other assets | 216,361 | 234,209 |
| | \$ 7,304,279 | \$ 7,690,883 |
| LIABILITIES AND EQUITY | | |
| Indebtedness: | | |
| Secured debt | \$ 785,797 | \$ 507,351 |
| Unsecured notes | 3,052,465 | 3,285,980 |
| Unsecured lines of credit | 15,770 | 483,659 |
| | 3,854,032 | 4,276,990 |
| Construction payables and amounts due subcontractors, including retentions | 43,147 | 105,227 |
| Accrued real estate taxes | 84,347 | 78,483 |
| Accrued interest | 62,971 | 56,376 |
| Other accrued expenses | 48,758 | 45,059 |
| Other liabilities | 198,906 | 187,425 |
| Tenant security deposits and prepaid rents | 44,258 | 41,348 |
| Total liabilities | 4,336,419 | 4,790,908 |
| Shareholders' equity: | | |
| Preferred shares (\$.01 par value); 5,000 shares authorized; 4,067 shares issued and outstanding | 1,016,625 | 1,016,625 |
| Common shares (\$.01 par value); 400,000 shares authorized; 224,029 and 148,420 shares issued and outstanding | 2,240 | 1,484 |

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| | | |
|---|---------------------|--------------|
| Additional paid-in capital | 3,267,196 | 2,702,513 |
| Accumulated other comprehensive income (loss) | (5,630) | (8,652) |
| Distributions in excess of net income | (1,355,086) | (867,951) |
| Total shareholders' equity | 2,925,345 | 2,844,019 |
| Noncontrolling interests | 42,515 | 55,956 |
| Total equity | 2,967,860 | 2,899,975 |
| | \$ 7,304,279 | \$ 7,690,883 |

See accompanying Notes to Consolidated Financial Statements.

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Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations****For the Years Ended December 31,****(in thousands, except per share amounts)**

| | 2009 | 2008 | 2007 |
|--|------------------|------------|------------|
| Revenues: | | | |
| Rental and related revenue | \$ 894,580 | \$ 857,559 | \$ 810,547 |
| General contractor and service fee revenue | 449,509 | 434,624 | 311,548 |
| | 1,344,089 | 1,292,183 | 1,122,095 |
| Expenses: | | | |
| Rental expenses | 203,537 | 191,264 | 176,036 |
| Real estate taxes | 119,113 | 103,819 | 93,707 |
| General contractor and other services expenses | 427,666 | 418,743 | 287,936 |
| Depreciation and amortization | 338,975 | 308,139 | 269,685 |
| | 1,089,291 | 1,021,965 | 827,364 |
| Other operating activities: | | | |
| Equity in earnings of unconsolidated companies | 9,896 | 23,817 | 29,381 |
| Gain on sale of properties | 12,337 | 39,057 | 34,682 |
| Earnings from sales of land | 357 | 12,651 | 33,998 |
| Undeveloped land carrying costs | (10,403) | (8,204) | (6,502) |
| Impairment charges | (302,811) | (18,463) | (5,658) |
| General and administrative expense | (47,937) | (39,508) | (37,727) |
| | (338,561) | 9,350 | 48,174 |
| Operating income (loss) | (83,763) | 279,568 | 342,905 |
| Other income (expenses): | | | |
| Interest and other income, net | 1,229 | 1,451 | 2,771 |
| Interest expense | (220,239) | (198,449) | (174,981) |
| Gain on debt transactions | 20,700 | 1,953 | - |
| Loss on business combinations | (1,062) | - | - |
| Income (loss) from continuing operations before income taxes | (283,135) | 84,523 | 170,695 |
| Income tax benefit (expense) | 6,070 | 7,005 | (6,260) |
| Income (loss) from continuing operations | (277,065) | 91,528 | 164,435 |
| Discontinued operations: | | | |
| Income (loss) before impairment charges and gain on sales | (439) | 3,185 | 5,553 |
| Impairment charges | (772) | (1,266) | - |
| Gain on sale of depreciable properties | 6,786 | 16,961 | 121,071 |
| Income from discontinued operations | 5,575 | 18,880 | 126,624 |
| Net income (loss) | (271,490) | 110,408 | 291,059 |
| Dividends on preferred shares | (73,451) | (71,426) | (58,292) |
| Gain (loss) on redemption or repurchase of preferred shares, net | - | 14,046 | (3,483) |
| Net (income) loss attributable to noncontrolling interests | 11,340 | (2,620) | (17,342) |

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| | | | |
|--|---------------------|----------------|----------------|
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 |
| Basic net income (loss) per common share: | | | |
| Continuing operations attributable to common shareholders | \$ (1.70) | \$ 0.20 | \$ 0.60 |
| Discontinued operations attributable to common shareholders | 0.03 | 0.13 | 0.91 |
| Total | \$ (1.67) | \$ 0.33 | \$ 1.51 |
| Diluted net income (loss) per common share: | | | |
| Continuing operations attributable to common shareholders | \$ (1.70) | \$ 0.20 | \$ 0.60 |
| Discontinued operations attributable to common shareholders | 0.03 | 0.13 | 0.91 |
| Total | \$ (1.67) | \$ 0.33 | \$ 1.51 |
| Weighted average number of common shares outstanding | 201,206 | 146,915 | 139,255 |
| Weighted average number of common shares and potential dilutive securities | 201,206 | 154,553 | 149,250 |

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the Years Ended December 31,****(in thousands)**

| | 2009 | 2008 | 2007 |
|--|------------------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ (271,490) | \$ 110,408 | \$ 291,059 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation of buildings and tenant improvements | 266,803 | 246,441 | 214,477 |
| Amortization of deferred leasing and other costs | 73,323 | 68,511 | 63,214 |
| Amortization of deferred financing costs | 13,679 | 13,640 | 11,212 |
| Straight-line rent adjustment | (18,832) | (15,118) | (16,843) |
| Impairment charges | 303,583 | 19,729 | 5,658 |
| Gain on debt extinguishment | (20,700) | (1,953) | - |
| Loss on business combination | 1,062 | - | - |
| Deferred tax asset valuation | 7,278 | - | - |
| Earnings from land and depreciated property sales | (19,480) | (29,612) | (154,493) |
| Build-for-Sale operations, net | 14,482 | 80,751 | (84,547) |
| Construction contracts, net | (4,583) | 125,855 | (25,818) |
| Other accrued revenues and expenses, net | 46,814 | 18,577 | 24,643 |
| Operating distributions received in excess of (less than) equity in earnings from unconsolidated companies | 8,533 | 5,618 | (4,631) |
| Net cash provided by operating activities | 400,472 | 642,847 | 323,931 |
| Cash flows from investing activities: | | | |
| Development of real estate investments | (268,890) | (436,256) | (451,162) |
| Acquisition of real estate investments and related intangible assets | (31,658) | (20,123) | (116,021) |
| Acquisition of undeveloped land | (5,474) | (40,893) | (317,324) |
| Recurring tenant improvements, leasing costs and building improvements | (79,054) | (74,814) | (85,936) |
| Other deferred leasing costs | (23,329) | (30,498) | (44,674) |
| Other assets | (392) | 281 | 5,931 |
| Proceeds from land and depreciated property sales, net | 256,330 | 116,563 | 480,943 |
| Capital distributions from unconsolidated companies | - | 95,392 | 235,754 |
| Capital contributions and advances to unconsolidated companies, net | (23,481) | (132,244) | (142,330) |
| Net cash used for investing activities | (175,948) | (522,592) | (434,819) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of common shares, net | 551,136 | 17,100 | 240,802 |
| Proceeds from issuance of preferred shares, net | - | 290,014 | - |
| Payments for redemption/repurchases of preferred shares | - | (12,405) | (132,272) |
| Proceeds from unsecured debt issuance | 500,000 | 325,000 | 340,160 |
| Payments on and repurchases of unsecured debt | (707,016) | (261,479) | (223,657) |
| Proceeds from secured debt financings | 290,418 | - | - |
| Payments on secured indebtedness including principal amortization | (11,396) | (55,600) | (24,780) |
| Borrowings (payments) on lines of credit, net | (467,889) | (62,408) | 229,067 |
| Distributions to common shareholders | (151,333) | (283,375) | (265,698) |
| Distributions to preferred shareholders | (73,451) | (71,439) | (58,292) |
| Distributions to noncontrolling interests, net | (1,524) | (12,837) | (19,576) |
| Cash settlement of interest rate swaps | - | (14,625) | 10,747 |
| Deferred financing costs | (28,679) | (3,681) | (6,084) |
| Net cash provided by (used for) financing activities | (99,734) | (145,735) | 90,417 |

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| | | | |
|---|-------------------|------------|------------|
| Net increase (decrease) in cash and cash equivalents | 124,790 | (25,480) | (20,471) |
| Cash and cash equivalents at beginning of year | 22,532 | 48,012 | 68,483 |
| Cash and cash equivalents at end of year | \$ 147,322 | \$ 22,532 | \$ 48,012 |
| Non-cash investing and financing activities: | | | |
| Assumption of secured debt for real estate acquisitions | \$ - | \$ 39,480 | \$ 34,259 |
| Contribution of property to, net of debt assumed by, unconsolidated companies | \$ 20,663 | \$ 133,312 | \$ 146,593 |
| Consolidation of previously unconsolidated companies | \$ 206,852 | \$ - | \$ - |
| Distribution of property from unconsolidated company | \$ - | \$ 76,449 | \$ - |
| Conversion of Limited Partner Units to common shares | \$ 592 | \$ 13,149 | \$ 179,092 |
| Issuance of Limited Partner Units for acquisition | \$ - | \$ - | \$ 11,020 |

See accompanying Notes to Consolidated Financial Statements.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(in thousands, except per share data)

| | Common Shareholders | | | | | | | Total |
|---|---------------------|-----------------|----------------------------|-----------------------------------|---------------------------------------|---------------------------|---------------------|-------|
| | Preferred Stock | Common Stock | Additional Paid-in Capital | Other Comprehensive Income (Loss) | Distributions in Excess of Net Income | Non-Controlling Interests | | |
| Balance at December 31, 2006 | \$ 876,250 | \$ 1,339 | \$ 2,231,059 | \$ 5,435 | \$ (577,998) | \$ 156,809 | \$ 2,692,894 | |
| Comprehensive Income: | | | | | | | | |
| Net income | - | - | - | - | 273,717 | 17,342 | 291,059 | |
| Derivative instrument activity | - | - | - | (6,714) | - | - | (6,714) | |
| Comprehensive income | | | | | | | 284,345 | |
| Issuance of common shares | - | 73 | 239,532 | - | - | - | 239,605 | |
| Redemption of Preferred Series B shares | (132,250) | - | (22) | - | - | - | (132,272) | |
| Adjustment for carrying value of preferred share redemption | - | - | 3,483 | - | (3,483) | - | - | |
| Stock based compensation plan activity | - | 2 | 14,190 | - | (1,213) | - | 12,979 | |
| Conversion of Limited Partner Units | - | 48 | 179,044 | - | - | (82,367) | 96,725 | |
| Distributions to preferred shareholders | - | - | - | - | (58,292) | - | (58,292) | |
| Distributions to common shareholders (\$1.91 per share) | - | - | - | - | (265,698) | - | (265,698) | |
| Issuance of Limited Partner Units for acquisition | - | - | - | - | - | 11,020 | 11,020 | |
| Distributions to noncontrolling interests, net | - | - | - | - | - | (19,566) | (19,566) | |
| Balance at December 31, 2007 | \$ 744,000 | \$ 1,462 | \$ 2,667,286 | \$ (1,279) | \$ (632,967) | \$ 83,238 | \$ 2,861,740 | |
| Comprehensive Income: | | | | | | | | |
| Net income | - | - | - | - | 107,788 | 2,620 | 110,408 | |
| Derivative instrument activity | - | - | - | (7,373) | - | - | (7,373) | |
| Comprehensive income | | | | | | | 103,035 | |
| Issuance of preferred shares | 300,000 | - | (10,000) | - | - | - | 290,000 | |
| Issuance of common shares | - | 9 | 15,482 | - | - | - | 15,491 | |
| Stock based compensation plan activity | - | 2 | 15,683 | - | (2,017) | - | 13,668 | |
| Conversion of Limited Partner Units | - | 11 | 13,138 | - | - | (17,065) | (3,916) | |
| Distributions to preferred shareholders | - | - | - | - | (71,426) | - | (71,426) | |
| Repurchase of preferred shares | (27,375) | - | 924 | - | 14,046 | - | (12,405) | |
| Distributions to common shareholders (\$1.93 per share) | - | - | - | - | (283,375) | - | (283,375) | |
| Distributions to noncontrolling interests, net | - | - | - | - | - | (12,837) | (12,837) | |
| Balance at December 31, 2008 | \$ 1,016,625 | \$ 1,484 | \$ 2,702,513 | \$ (8,652) | \$ (867,951) | \$ 55,956 | \$ 2,899,975 | |
| Comprehensive Loss: | | | | | | | | |
| Net loss | - | - | - | - | (260,150) | (11,340) | (271,490) | |
| Derivative instrument activity | - | - | - | 3,022 | - | - | 3,022 | |
| Comprehensive loss | | | | | | | (268,468) | |
| Issuance of common shares | - | 752 | 550,652 | - | - | - | 551,404 | |
| Stock based compensation plan activity | - | 2 | 13,441 | - | (2,186) | - | 11,257 | |
| Conversion of Limited Partner Units | - | 2 | 590 | - | (15) | (577) | - | |
| Distributions to preferred shareholders | - | - | - | - | (73,451) | - | (73,451) | |
| Distributions to common shareholders (\$.76 per share) | - | - | - | - | (151,333) | - | (151,333) | |
| Distributions to noncontrolling interests, net | - | - | - | - | - | (1,524) | (1,524) | |
| Balance at December 31, 2009 | \$ 1,016,625 | \$ 2,240 | \$ 3,267,196 | \$ (5,630) | \$ (1,355,086) | \$ 42,515 | \$ 2,967,860 | |

See accompanying Notes to Consolidated Financial Statements.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) The Company

Substantially all of our Rental Operations (see Note 9) are conducted through Duke Realty Limited Partnership (DRLP). We owned approximately 97.1% of the common partnership interests of DRLP (Units) at December 31, 2009. At the option of the holders, subject to certain restrictions, the remaining Units are redeemable for shares of our common stock on a one-to-one basis and earn dividends at the same rate as shares of our common stock. If determined to be necessary in order to continue to qualify as a REIT, we may elect to purchase the Units for an equivalent amount of cash rather than issuing shares of common stock upon redemption. We conduct our Service Operations (see Note 9) through Duke Realty Services LLC and Duke Realty Services Limited Partnership, of which we are the sole general partner and of which DRLP is the sole limited partner. We also conduct Service Operations through Duke Construction Limited Partnership, which is owned through a taxable REIT subsidiary and is effectively 100% owned by DRLP. The terms we , us and our refer to Duke Realty Corporation and subsidiaries (the Company) and those entities owned or controlled by the Company.

(2) Summary of Significant Accounting Policies

FASB Codification

On July 1, 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (ASC or the Codification) that establishes the exclusive authoritative reference for accounting principles generally accepted in the United States of America (GAAP) for use in financial statements, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. The Codification superseded all existing non-SEC accounting and reporting standards but did not impact any of our existing accounting policies.

Principles of Consolidation

The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries. The equity interests in these controlled subsidiaries not owned by us are reflected as noncontrolling interests in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Investments in entities that we do not control through majority voting interest or where the other owner has substantial participating rights are not consolidated and are reflected as investments in unconsolidated companies under the equity method of reporting.

Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2008 and 2007 have been reclassified to conform to the 2009 consolidated financial statement presentation.

Real Estate Investments

Rental real property, including land, land improvements, buildings and tenant improvements, are included in real estate investments and are generally stated at cost. Construction in process and undeveloped land are included in real

estate investments and are stated at cost. Real estate investments also include our equity interests in unconsolidated joint ventures that own and operate rental properties and hold land for development.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Depreciation

Buildings and land improvements are depreciated on the straight-line method over their estimated life not to exceed 40 and 15 years, respectively, and tenant improvement costs are depreciated using the straight-line method over the term of the related lease.

Cost Capitalization

Direct and certain indirect costs clearly associated with and incremental to the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized. We capitalize a portion of our indirect costs associated with our construction, development and leasing efforts. In assessing the amount of direct and indirect costs to be capitalized, allocations are made based on estimates of the actual amount of time spent in each activity. We do not capitalize any costs attributable to downtime or to unsuccessful projects.

We capitalize direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use. In addition, we capitalize costs, including real estate taxes, insurance, and utilities, that have been allocated to vacant space based on the square footage of the portion of the building not held available for immediate occupancy during the extended lease-up periods after construction of the building shell has been completed if costs are being incurred to ready the vacant space for its intended use. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized.

We cease capitalization of all project costs on extended lease-up periods when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the property attains 90% occupancy.

Impairment

We evaluate our real estate assets, with the exception of those that are classified as held-for-sale, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, we compare the carrying amount of that real estate asset, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that asset, or asset group. Our estimate of the expected future cash flows used in testing for impairment is based on, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other tenant concessions, assumptions regarding the residual value of our properties at the end of our anticipated holding period and the length of our anticipated holding period and is, therefore, subjective by nature. These assumptions could differ materially from actual results. If our strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of a real estate asset, or asset group, exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The determination of the fair value of real estate assets is also highly subjective, especially in markets where there is a lack of recent comparable transactions. We primarily utilize the income approach to estimate the fair value of our income producing real estate assets. To the extent that the assumptions used in testing long-lived assets for impairment differ from those of a marketplace participant, the assumptions are modified in order to estimate the fair value of a real estate asset when an impairment charge is measured. In addition to determining future cash flows, which make the estimation of a real estate asset's undiscounted cash flows highly subjective, the selection of the discount rate and exit capitalization rate used in applying the income approach is also highly subjective.

Real estate assets classified as held-for-sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. Once a property is designated as held-for-sale, no further depreciation expense is recorded.

Purchase Accounting

On January 1, 2009, we adopted the new accounting standard (ASC 805) on purchase accounting, which requires acquisition related costs to be expensed immediately as period costs. This new standard also requires that (i) 100% of the assets and liabilities of an acquired entity, as opposed to the amount proportional to the portion acquired, must be recorded at fair value upon an acquisition and (ii) a gain or loss must be recognized for the difference between the fair value and the carrying value of any existing ownership interests in acquired entities. Finally, this new standard requires that contingencies arising from a business combination be recorded at fair value if the acquisition date fair value can be determined during the measurement period.

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values, based on all pertinent information available and adjusted based on changes in that information in no event to exceed one year from the date of acquisition. The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The purchase price of real estate assets is also allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships.

The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in deferred leasing and other costs in the balance sheet and below market leases are included in other liabilities in the balance sheet; both are amortized to rental income over the remaining terms of the respective leases.

The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values based upon management's assessment of their respective values. These intangible assets are included in deferred leasing and other costs in the balance sheet and are depreciated over the remaining term of the existing lease, or the

anticipated life of the customer relationship, as applicable.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Joint Ventures

We analyze our investments in joint ventures to determine if the joint venture is considered a variable interest entity (a VIE) and would require consolidation. We (a) evaluate the sufficiency of the total equity investment at risk, (b) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. We would consolidate a venture that is determined to be a VIE if we were the primary beneficiary. To the extent that our joint ventures do not qualify as variable interest entities, we further assess each partner's substantive participating rights to determine if the venture should be consolidated.

In June 2009, the FASB issued a new accounting standard that will be effective on January 1, 2010. This accounting standard is a revision to a previous FASB interpretation and changes how a reporting entity evaluates whether an entity is a VIE and which entity is considered the primary beneficiary of a VIE and is therefore required to consolidate such VIE. This accounting standard will also require assessments at each reporting period of which party within the VIE is considered the primary beneficiary and will require a number of new disclosures related to VIEs. We do not anticipate this new accounting standard to have a significant impact on our financial position and results of operations upon adoption.

We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that own and operate rental properties and hold land for development. We consolidate those joint ventures that are considered to be variable interest entities where we are the primary beneficiary. For non-variable interest entities, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing member and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. We recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

Cash Equivalents

Investments with an original maturity of three months or less are classified as cash equivalents.

Valuation of Receivables

We reserve the entire receivable balance, including straight-line rent, of any tenant with an amount outstanding over 90 days. Additional reserves are recorded for more current amounts, as applicable, where we have determined collectability to be doubtful. Straight-line rent receivables for any tenant with long-term risk, regardless of the status of rent receivables, are reviewed and reserved as necessary.

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Deferred Costs

Costs incurred in connection with obtaining financing are amortized to interest expense over the term of the related loan. All direct and indirect costs, including estimated internal costs, associated with the leasing of real estate investments owned by us are capitalized and amortized over the term of the related lease. We include lease incentive costs, which are payments made on behalf of a tenant to sign a lease, in deferred leasing costs and amortize them on a straight-line basis over the respective lease terms as a reduction of rental revenues. We include as lease incentives amounts funded to construct tenant improvements owned by the tenant. Unamortized costs are charged to expense upon the early termination of the lease or upon early payment of the financing.

Convertible Debt Accounting

On January 1, 2009, we adopted a new accounting standard (FASB ASC 470) for convertible debt instruments that may be settled in cash upon conversion. This new standard requires separate accounting for the debt and equity components of certain convertible instruments. Our 3.75% Exchangeable Senior Notes (Exchangeable Notes), issued in November 2006, have an exchange rate of 20.47 common shares per \$1,000 principal amount of the notes, representing an exchange price of \$48.85 per share of our common stock. The Exchangeable Notes were subject to the accounting changes required by this new standard, which required that the value assigned to the debt component equal the estimated fair value of debt with similar contractual cash flows, but without the conversion feature, resulting in the debt being recorded at a discount. The resulting debt discount will be amortized over the period from its issuance through November 2011, the first optional redemption date, as additional non-cash interest expense. We were required to apply this new accounting standard retrospectively to prior periods.

At December 31, 2009, the Exchangeable Notes had \$235.4 million of principal outstanding, an unamortized discount of \$6.0 million and a net carrying amount of \$229.4 million. The carrying amount of the equity component was \$34.7 million at December 31, 2009. Subsequent to the implementation of the new standard, interest expense is recognized on the Exchangeable Notes at an effective rate of 5.6%. The increase to interest expense (in thousands) on the Exchangeable Notes, which led to a corresponding decrease to net income, for the years ended December 31, 2009, 2008 and 2007 is summarized as follows:

| | 2009 | 2008 | 2007 |
|---|-----------|-----------|-----------|
| Interest expense on Exchangeable Notes, excluding effect of accounting for convertible debt | \$ 14,850 | \$ 21,574 | \$ 21,594 |
| Effect of accounting for convertible debt | 5,024 | 6,536 | 6,151 |
| Total interest expense on Exchangeable Notes | \$ 19,874 | \$ 28,110 | \$ 27,745 |

Noncontrolling Interests

On January 1, 2009, we adopted a new accounting standard (FASB ASC 810) on noncontrolling interests, which required noncontrolling interests (previously referred to as minority interests) to be reported as a component of total

equity, resulting in retroactive changes to the presentation of the noncontrolling interests in the consolidated balance sheets and statements of operations. This new standard also modified the accounting for changes in the level of ownership in consolidated subsidiaries.

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Noncontrolling interests relate to the minority ownership interests in DRLP and interests in consolidated property partnerships that are not wholly owned. Noncontrolling interests are subsequently adjusted for additional contributions, distributions to noncontrolling holders and the noncontrolling holders' proportionate share of the net earnings or losses of each respective entity.

Prior to January 1, 2009, when a Unit was redeemed (Note 1), the difference between the aggregate book value and the purchase price of the Unit increased the recorded value of our net assets. For redemptions of Units subsequent to January 1, 2009, the change in ownership is treated as an equity transaction and there is no effect on our earnings or net assets.

Revenue Recognition

Rental and Related Revenue

The timing of revenue recognition under an operating lease is determined based upon ownership of the tenant improvements. If we are the owner of the tenant improvements, revenue recognition commences after the improvements are completed and the tenant takes possession or control of the space. In contrast, if we determine that the tenant allowances we are funding are lease incentives, then we commence revenue recognition when possession or control of the space is turned over to the tenant. Rental income from leases with free rental periods or scheduled rental increases during their terms is recognized on a straight-line basis.

We record lease termination fees when a tenant has executed a definitive termination agreement with us and the payment of the termination fee is not subject to any material conditions that must be met or waived before the fee is due to us.

General Contractor and Service Fee Revenue

Management fees are based on a percentage of rental receipts of properties managed and are recognized as the rental receipts are collected. Maintenance fees are based upon established hourly rates and are recognized as the services are performed. Construction management and development fees represent fee-based third-party contracts and are recognized as earned based on the terms of the contract, which approximates the percentage of completion method.

We recognize income on construction contracts where we serve as a general contractor on the percentage of completion method. Using this method, profits are recorded based on our estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. The percentage of completion estimates are based on a comparison of the contract expenditures incurred to the estimated final costs. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Receivables on construction contracts were in an over-billed position of \$470,000 at December 31, 2009 and were in an under-billed position of \$22.7 million at December 31, 2008.

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Property Sales

Gains on sales of all properties are recognized in accordance with FASB ASC 360-20. The specific timing of the sale of a building is measured against various criteria in FASB ASC 360-20 related to the terms of the transactions and any continuing involvement in the form of management or financial assistance from the seller associated with the properties. We make judgments based on the specific terms of each transaction as to the amount of the total profit from the transaction that we recognize considering factors such as continuing ownership interest we may have with the buyer (partial sales) and our level of future involvement with the property or the buyer that acquires the assets. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, installment or cost recovery methods, as appropriate, until the full accrual sales criteria are met. Estimated future costs to be incurred after completion of each sale are included in the determination of the gain on sales.

To the extent that a property has had operations prior to sale, and that we do not have continuing involvement with the property, gains from sales of depreciated property are included in discontinued operations and the proceeds from the sale of these held-for-rental properties are classified in the investing activities section of the Consolidated Statements of Cash Flows.

Gains or losses from our sale of properties that were developed or repositioned with the intent to sell and not for long-term rental (Build-for-Sale properties) are classified as gain on sale of properties in the Consolidated Statements of Operations. Other rental properties that do not meet the criteria for presentation as discontinued operations are also classified as gain on sale of properties in the Consolidated Statements of Operations.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders, less dividends on share-based awards expected to vest, by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per common share is computed by dividing the sum of basic net income (loss) attributable to common shareholders and the noncontrolling interest in earnings allocable to Units not owned by us (to the extent the Units are dilutive), by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, limited partnership Units outstanding, as well as any potential dilutive securities for the period.

During the first quarter of 2009, we adopted a new accounting standard (FASB ASC 260-10) on participating securities, which we have applied retrospectively to prior period calculations of basic and diluted earnings per common share. Pursuant to this new standard, certain of our share-based awards are considered participating securities because they earn dividend equivalents that are not forfeited even if the underlying award does not vest.

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Notes to Consolidated Financial Statements

The following table reconciles the components of basic and diluted net income (loss) per common share (in thousands):

| | 2009 | 2008 | 2007 |
|--|--------------|-----------|------------|
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 |
| Less: Dividends on share-based awards expected to vest | (1,759) | (1,631) | (1,149) |
| Basic net income (loss) attributable to common shareholders | (335,360) | 48,777 | 210,793 |
| Noncontrolling interest in earnings of common unitholders (1) | - | 2,640 | 13,998 |
| Diluted net income (loss) attributable to common shareholders | \$ (335,360) | \$ 51,417 | \$ 224,791 |
| Weighted average number of common shares outstanding | 201,206 | 146,915 | 139,255 |
| Weighted average partnership Units outstanding | - | 7,619 | 9,204 |
| Other potential dilutive shares (2) | - | 19 | 791 |
| Weighted average number of common shares and potential dilutive securities | 201,206 | 154,553 | 149,250 |

- (1) The partnership Units are anti-dilutive for the year ended December 31, 2009, as a result of the net loss for that period. Therefore, 6,687 Units (in thousands) are excluded from the weighted average number of common shares and potential dilutive securities for the year ended December 31, 2009 and \$11,099 noncontrolling interest in earnings of common unitholders (in thousands) is excluded from diluted net loss attributable to common shareholders for the year ended December 31, 2009.
- (2) Excludes (in thousands of shares) 7,872; 8,219 and 1,144 of anti-dilutive shares for the years ended December 31, 2009, 2008 and 2007, respectively related to stock-based compensation plans. Also excludes (in thousands of shares) the Exchangeable Notes that have 8,089; 11,771 and 11,751 of anti-dilutive shares for the years ended December 31, 2009, 2008 and 2007, respectively.

Federal Income Taxes

We have elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted taxable income to our stockholders. Management intends to continue to adhere to these requirements and to maintain our REIT status. As a REIT, we are entitled to a tax deduction for some or all of the dividends we pay to shareholders. Accordingly, we generally will not be subject to federal income taxes as long as we distribute an amount equal to or in excess of our taxable income currently to shareholders. We are also generally subject to federal income taxes on any taxable income that is not currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes and may not be able to qualify as a REIT for four subsequent taxable years.

REIT qualification reduces, but does not eliminate, the amount of state and local taxes we pay. In addition, our financial statements include the operations of taxable corporate subsidiaries that are not entitled to a dividends paid deduction and are subject to corporate federal, state and local income taxes. As a REIT, we may also be subject to

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certain federal excise taxes if we engage in certain types of transactions.

The following table reconciles our net income (loss) to taxable income (loss) before the dividends paid deduction for the years ended December 31, 2009, 2008 and 2007 (in thousands):

| | 2009 | 2008 | 2007 |
|---|--------------|------------|------------|
| Net income (loss) | \$ (271,490) | \$ 110,408 | \$ 291,059 |
| Book/tax differences | 447,793 | 127,607 | 73,322 |
| Taxable income before adjustments | 176,303 | 238,015 | 364,381 |
| Less: capital gains | (8,962) | (80,069) | (160,797) |
| Adjusted taxable income subject to 90% distribution requirement | \$ 167,341 | \$ 157,946 | \$ 203,584 |

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Notes to Consolidated Financial Statements

Our dividends paid deduction is summarized below (in thousands):

| | 2009 | 2008 | 2007 |
|--|------------|------------|------------|
| Cash dividends paid | \$ 224,784 | \$ 355,782 | \$ 324,085 |
| Cash dividends declared and paid in subsequent year that apply to current year | - | - | 52,471 |
| Cash dividends declared and paid in current year that apply to previous year | - | (52,471) | (7,795) |
| Less: Capital gain distributions | (8,962) | (80,069) | (160,797) |
| Less: Return of capital | (44,369) | (59,709) | - |
| Total dividends paid deduction attributable to adjusted taxable income | \$ 171,453 | \$ 163,533 | \$ 207,964 |

A summary of the tax characterization of the dividends paid for the years ended December 31, 2009, 2008 and 2007 follows:

| | 2009 | 2008 | 2007 |
|-------------------------|--------|--------|--------|
| <u>Common Shares</u> | | | |
| Ordinary income | 69.0% | 39.3% | 63.1% |
| Return of capital | 26.4% | 27.3% | -% |
| Capital gains | 4.6% | 33.4% | 36.9% |
| | 100.0% | 100.0% | 100.0% |
| <u>Preferred Shares</u> | | | |
| Ordinary income | 93.7% | 70.2% | 63.1% |
| Capital gains | 6.3% | 29.8% | 36.9% |
| | 100.0% | 100.0% | 100.0% |

Refinements to our operating strategy in 2009 caused us to reduce our projections of taxable income in our taxable REIT subsidiary. As the result of these changes in our projections, we determined that it was more likely than not that the taxable REIT subsidiary would not generate sufficient taxable income to realize any of its deferred tax assets. Accordingly, we recognized a \$12.3 million charge to income tax expense in the third quarter of 2009 in order to establish a full valuation allowance against the deferred tax assets. Changes to federal income tax legislation in the fourth quarter of 2009, which extended the period that net operating losses may be carried back from two to five years, resulted in the reversal of approximately \$5.0 million of the valuation allowance that was initially established. Income taxes, with the exception of this non-recurring charge, are not material to our operating results or financial position.

We paid federal and state income taxes of \$800,000, \$3.5 million and \$10.1 million for 2009, 2008 and 2007, respectively. The taxable REIT subsidiaries have no significant net deferred income tax or unrecognized tax benefit items.

Derivative Financial Instruments

We periodically enter into certain interest rate protection agreements to effectively convert or cap floating rate debt to a fixed rate, and to hedge anticipated future financing transactions, both of which qualify for cash flow hedge accounting treatment. Net amounts paid or received under these agreements are recognized as an adjustment to the interest expense of the corresponding debt. We do not utilize derivative financial instruments for trading or speculative purposes.

If a derivative qualifies as a cash flow hedge, the change in fair value of the derivative is recognized in other comprehensive income to the extent the hedge is effective, while the ineffective portion of the derivative's change in fair value is recognized in earnings. Gains and losses on our interest rate protection agreements are subsequently included in earnings as an adjustment to interest expense in the same periods in which the related interest payments being hedged are recognized in earnings.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

We estimate the fair value of derivative instruments using standard market conventions and techniques such as discounted cash flow analysis, option pricing models and termination cost at each balance sheet date. For all hedging relationships, we formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

Fair Value Measurements

On January 1, 2009, we adopted a new accounting standard (ASC 820) that establishes a framework for measuring fair value of non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis but only in certain circumstances, such as a business combination.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities to which we have access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimates, as discussed within our Summary of Significant Accounting Policies, pertain to the critical assumptions utilized in testing real estate assets for impairment as well as in estimating the fair value of real estate assets when an impairment event has taken place. Actual results could differ from those estimates.

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Notes to Consolidated Financial Statements

(3) Significant Acquisitions and Dispositions**Consolidation of Retail Joint Ventures**

Through March 31, 2009, we were a member in two retail real estate joint ventures with a retail developer. Both entities were jointly controlled by us and our partner, through equal voting interests, and were accounted for as unconsolidated subsidiaries under the equity method. As of April 1, 2009, we had made combined equity contributions of \$37.9 million to the two entities and we also had combined outstanding principal and accrued interest of \$173.0 million on advances to the two entities.

We advanced \$2.0 million to the two entities, who then distributed the \$2.0 million to our partner in exchange for the redemption of our partner's membership interests, effective April 1, 2009, at which time we obtained 100% control of the voting interests of both entities. We entered these transactions to gain control of these two entities because it will allow us to operate or dispose of the entities in a manner that best serves our capital needs.

In conjunction with the redemption of our partner's membership interests, we entered a profits interest agreement that entitles our former partner to additional payments should the combined sale of the two acquired entities, as well as the sale of another retail real estate joint venture that we and our partner still jointly control, result in an aggregate profit. Aggregate profit on the sale of these three projects will be calculated by using a formula defined in the profits interest agreement. We have estimated that the fair value of the potential additional payment to our partner is insignificant.

A summary of the fair value of amounts recognized for each major class of assets and liabilities acquired is as follows (in thousands):

| | |
|--|-------------------|
| Operating rental properties | \$ 176,038 |
| Undeveloped land | 6,500 |
| Total real estate investments | 182,538 |
| Other assets | 3,987 |
| Lease related intangible assets | 24,350 |
| Total assets acquired | 210,875 |
| Liabilities assumed | (4,023) |
| Net recognized value of acquired assets and liabilities | \$ 206,852 |

The fair values recognized from the real estate and related assets acquired were primarily determined using the income approach. The most significant assumptions in the fair value estimates were the discount rates and the exit capitalization rates. The estimates of fair value were determined to have primarily relied upon Level 3 inputs.

We recognized a loss of \$1.1 million upon acquisition, which represents the difference between the fair value of the recognized assets and the carrying value of our pre-existing equity interest. The acquisition date fair value of the net

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recognized assets as compared to the acquisition date carrying value of our outstanding advances and accrued interest, as well as the acquisition date carrying value of our pre-existing equity interests, is shown as follows (in thousands):

| | |
|---|------------|
| Net fair value of acquired assets and liabilities | \$ 206,852 |
| Less advances to acquired entities eliminated upon consolidation | (173,006) |
| Less acquisition date carrying value of equity in acquired entities | (34,908) |
| Loss on business combination | \$ (1,062) |

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Since April 1, 2009, the results of operations for both acquired entities have been included in continuing operations in our consolidated financial statements. Due to our significant pre-existing ownership and financing positions in the two acquired entities, the inclusion of their results of operations did not have a material effect on our operating income.

Acquisitions

We acquired income producing real estate related assets of \$32.1 million, \$60.5 million and \$219.9 million in 2009, 2008 and 2007, respectively.

In December 2007, in order to further establish our property positions around strategic port locations, we purchased a portfolio of five industrial buildings in Seattle, Virginia and Houston, as well as approximately 161 acres of undeveloped land and a 12-acre container storage facility in Houston. The total price was \$89.7 million and was financed in part through assumption of secured debt that had a fair value of \$34.3 million. Of the total purchase price, \$64.1 million was allocated to in-service real estate assets, \$20.0 million was allocated to undeveloped land and the container storage facility, \$5.4 million was allocated to lease related intangible assets, and the remaining amount was allocated to acquired working capital related assets and liabilities. The results of operations for the acquired properties since the date of acquisition have been included in continuing rental operations in our consolidated financial statements.

All other acquisitions were not individually material.

Dispositions

We disposed of income producing real estate related assets with gross proceeds of \$267.0 million, \$426.2 million and \$590.4 million in 2009, 2008 and 2007, respectively.

We sold five properties in 2009 and seven properties in 2008 to an unconsolidated joint venture. The gross proceeds totaled \$84.3 million and \$226.2 million for the years ended December 31, 2009 and 2008, respectively.

In March 2007, as part of our capital recycling program, we sold a portfolio of eight suburban office properties totaling 894,000 square feet in the Cleveland market. The sales price totaled \$140.4 million, of which we received net proceeds of \$139.3 million. We also sold a portfolio of twelve flex and light industrial properties in July 2007, totaling 865,000 square feet in the St. Louis market, for a sales price of \$65.0 million, of which we received net proceeds of \$64.2 million.

All other dispositions were not individually material.

(4) Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2009, 2008 and 2007, respectively, we earned

management fees of \$8.4 million, \$7.8 million and \$7.1 million, leasing fees of \$4.2 million, \$2.8 million and \$4.2 million and construction and development fees of \$10.2 million, \$12.7 million and \$13.1 million from these companies. We recorded these fees based on contractual terms that approximate market rates for these types of services, and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

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(5) Investments in Unconsolidated Companies

We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development.

Combined summarized financial information for the unconsolidated companies as of December 31, 2009 and 2008, and for the years ended December 31, 2009, 2008 and 2007, are as follows (in thousands):

| | 2009 | 2008 | 2007 |
|--|---------------------|---------------------|------------|
| Rental revenue | \$ 254,787 | \$ 250,312 | \$ 215,855 |
| Net income | \$ 9,760 | \$ 40,437 | \$ 41,725 |
| Land, buildings and tenant improvements, net | \$ 2,072,435 | \$ 2,018,384 | |
| Construction in progress | 128,257 | 192,153 | |
| Undeveloped land | 176,356 | 179,024 | |
| Other assets | 260,249 | 239,046 | |
| | \$ 2,637,297 | \$ 2,628,607 | |
| Indebtedness | \$ 1,319,696 | \$ 1,225,762 | |
| Other liabilities | 75,393 | 248,093 | |
| | 1,395,089 | 1,473,855 | |
| Owners equity | 1,242,208 | 1,154,752 | |
| | \$ 2,637,297 | \$ 2,628,607 | |

Our share of the scheduled payments of long term debt for the unconsolidated joint ventures for each of the next five years and thereafter as of December 31, 2009 are as follows (in thousands):

| Year | Future Repayments |
|------------|-------------------|
| 2010 | \$ 208,098 |
| 2011 | 60,186 |
| 2012 | 48,073 |
| 2013 | 32,052 |
| 2014 | 17,159 |
| Thereafter | 137,342 |
| | \$ 502,910 |

(6) Discontinued Operations

The operations of 45 buildings are currently classified as discontinued operations for the three-year period ended December 31, 2009. These 45 buildings consist of 20 industrial and 25 office properties. Of these properties, five were sold during 2009, eight properties were sold during 2008 and 32 properties were sold during 2007.

We allocate interest expense to discontinued operations and have included such interest expense in computing income from discontinued operations. Interest expense allocable to discontinued operations includes interest on any secured debt for properties included in discontinued operations and an allocable share of our consolidated unsecured interest expense for unencumbered properties. The allocation of unsecured interest expense to discontinued operations was based upon the gross book value of the unencumbered real estate assets included in discontinued operations as it related to the total gross book value of our unencumbered real estate assets.

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The following table illustrates operations of the buildings reflected in discontinued operations for the years ended December 31 (in thousands):

| | 2009 | 2008 | 2007 |
|---|----------|-----------|------------|
| Revenues | \$ 4,115 | \$ 21,825 | \$ 39,504 |
| Operating expenses | (1,817) | (7,152) | (15,751) |
| Depreciation and amortization | (1,151) | (6,813) | (8,006) |
| Operating income | 1,147 | 7,860 | 15,747 |
| Interest expense | (1,586) | (4,675) | (10,194) |
| Income (loss) before impairment charges and gain on sales | (439) | 3,185 | 5,553 |
| Impairment charges | (772) | (1,266) | - |
| Gain on sale of depreciable properties | 6,786 | 16,961 | 121,071 |
| Income from discontinued operations | \$ 5,575 | \$ 18,880 | \$ 126,624 |

The following table illustrates the allocation of the amounts attributable to common shareholders between continuing operations and discontinued operations for the years ended December 31, 2009, 2008 and 2007, respectively (in thousands):

| | 2009 | 2008 | 2007 |
|--|--------------|-----------|------------|
| Income (loss) from continuing operations attributable to common shareholders | \$ (338,997) | \$ 32,459 | \$ 93,168 |
| Income from discontinued operations attributable to common shareholders | 5,396 | 17,949 | 118,774 |
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 |

(7) Impairments and Other Charges

The following table illustrates impairment and other charges recognized during the years ended December 31, 2009, 2008 and 2007, respectively (in thousands):

| | 2009 | 2008 | 2007 |
|--|------------|-----------|----------|
| Undeveloped land | \$ 136,581 | \$ 8,632 | \$ - |
| Buildings | 78,087 | 2,799 | - |
| Investments in unconsolidated companies | 56,437 | - | - |
| Other real estate related assets | 32,478 | 8,298 | 5,658 |
| Impairment charges | \$ 303,583 | \$ 19,729 | \$ 5,658 |
| Less: Impairment charges included in discontinued operations | (772) | (1,266) | - |

| | | | |
|--|------------|-----------|----------|
| Impairment charges - continuing operations | \$ 302,811 | \$ 18,463 | \$ 5,658 |
|--|------------|-----------|----------|

Land and Buildings

During 2009, we refined our operating strategy and one result of this change in strategy was the decision to dispose of approximately 1,800 acres of land, which had a total cost basis of \$385.3 million, rather than holding them for future development. Our change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that a significant portion of the land was impaired. We recognized impairment charges on land of \$136.6 million in 2009, primarily as the result of writing down the land that was identified for disposition, and determined to be impaired, to fair value. We utilized a market approach to determine fair value and, to the extent current comparable sales values were unavailable, made adjustments to historical comparable sales based on the Company's understanding of current market conditions and the experience of our management team. Actual sales of our undeveloped land targeted for disposition could be at prices that differ significantly from our estimates and additional impairments may be necessary in the future in the event market conditions deteriorate further. Our valuation estimates primarily relied upon Level 3 inputs, as previously defined.

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During 2009, we also reviewed our existing portfolio of buildings and determined that several buildings, which had previously not been actively marketed for disposal, were not strategic and would not be held as long-term investments. Additionally, at various times throughout the year, we determined it appropriate to re-evaluate certain other buildings that were in various stages of the disposition process for impairment because new information was available that triggered further analysis. Impairment charges of \$78.1 million were recognized for 28 office, industrial and retail buildings that were determined to be impaired, either as the result of a refinement in management's strategy or changes in market conditions. In calculating the impairment charges for the aforementioned 28 buildings, we determined fair value using either the income approach or the market approach. The most significant assumptions, when using the income approach, included the discount rate as well as future exit capitalization rates, occupancy levels, rental rates and capital expenditures. Fair value measurements for the buildings that were determined to be impaired relied primarily upon Level 3 inputs, as defined earlier in this report.

Investments in Unconsolidated Subsidiaries

We have an investment in an unconsolidated entity (the 3630 Peachtree joint venture) whose sole activity is the development and operation of the office component of a multi-use office and residential high-rise building located in the Buckhead sub-market of Atlanta. The building is currently in the final stages of development. As the result of declines in rental rates and projected increases in capital costs, we analyzed our investment during the three-month period ended September 30, 2009 and recognized an impairment charge to write off our \$14.4 million investment, as we determined that an other-than-temporary decline in value had taken place. As a result of the joint venture's obligations to the lender in its construction loan agreement, the likelihood that our partner will be unable to contribute their share of the additional equity to fund the joint venture's future capital costs, and ultimately the obligation stemming from our joint and several guarantee of the joint venture loan, we recorded an additional liability of \$36.3 million, and an equal charge to impairment expense, for our probable future obligations to the lender. The estimates of fair value utilized in determining the aforementioned charges relied primarily on Level 3 inputs, as defined earlier in this report.

Due to credit issues with its most significant tenant, an inability to renew third-party financing on acceptable terms and an increase to its projected capital expenditures, we analyzed an investment in an unconsolidated joint venture (the Park Creek joint venture) during the three-month period ended June 30, 2009 to determine whether there was an other-than-temporary decline in value. As a result of that analysis, we determined that an other-than-temporary decline in value had taken place and wrote our investment in the Park Creek joint venture down to its fair value, thus recognizing a \$5.8 million impairment charge. We estimated the fair value of the Park Creek joint venture using the income approach and the most significant assumption in the estimate was the expected period of time in which we would hold our investment in the joint venture. We concluded that the estimate of fair value relied primarily upon Level 3 inputs, as defined earlier in this report.

Other Real Estate Related Assets

We recognized \$32.5 million of impairment charges on other real estate related assets during 2009. The impairment charges related primarily to reserving loans receivable from other real estate entities as well as writing off previously deferred development costs.

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(8) Indebtedness

Indebtedness at December 31, 2009 and 2008 consists of the following (in thousands):

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Fixed rate secured debt, weighted average interest rate of 6.67% at December 31, 2009, and 6.13% at December 31, 2008, maturity dates ranging from 2011 to 2027 | \$ 766,299 | \$ 499,061 |
| Variable rate secured debt, weighted average interest rate of 3.33% at December 31, 2009, and 3.88% at December 31, 2008, maturity dates ranging from 2012 to 2025 | 19,498 | 8,290 |
| Fixed rate unsecured debt, weighted average interest rate of 6.32% at December 31, 2009, and 5.93% at December 31, 2008, maturity dates ranging from 2010 to 2028 | 3,052,465 | 3,285,980 |
| Unsecured lines of credit, weighted average interest rate of 1.08% at December 31, 2009, and 1.34% at December 31, 2008 maturity dates ranging from 2011 to 2013 | 15,770 | 483,659 |
| | \$ 3,854,032 | \$ 4,276,990 |

Fixed Rate Secured Debt

As of December 31, 2009, the \$785.8 million of secured debt was collateralized by rental properties with a carrying value of \$1.4 billion and by letters of credit in the amount of \$7.7 million.

In February, March and July 2009, we borrowed a total of \$270.0 million from three 10-year fixed rate secured debt financings that are secured by 32 rental properties. The secured debt bears interest at a weighted average rate of 7.69% and matures at various points in 2019. Additionally, in June 2009, we borrowed \$8.5 million from two 6.50% 10-year fixed rate mortgages due in 2019, which are secured by two newly acquired properties. One of our consolidated subsidiaries also borrowed \$11.9 million, bearing interest at a variable rate (equal to 5.0% as of December 31, 2009) and maturing in April 2012, on a secured construction loan during 2009.

The fair value of our fixed rate secured debt as of December 31, 2009 was \$770.3 million. We utilized a discounted cash flow methodology in order to determine the fair value of our fixed rate secured debt. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate at which we estimate we could obtain similar borrowings when considering current market conditions. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon Level 3 (as described in Note 2) inputs.

Fixed Rate Unsecured Debt

We took the following actions during 2009 and 2008 as it pertains to our fixed rate unsecured indebtedness:

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In February 2009, we repaid \$124.0 million of 6.83% corporate unsecured debt at its scheduled maturity date.

Throughout 2009, we repurchased portions of various series of senior unsecured notes with various scheduled maturity dates through December 2011, both on the open market and through cash tender offers, for \$500.9 million. The total face value of these repurchases was \$542.9 million. We recognized a gain of \$27.5 million on the repurchases after writing off applicable issuance costs and other accounting adjustments. The aforementioned gains on repurchase were partially offset by a \$6.8 million charge to write off fees paid for a cancelled secured debt transaction.

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In August 2009, we issued \$500.0 million of senior unsecured notes in two equal tranches. The first \$250.0 million of the senior unsecured notes mature in February 2015 and bear interest at an effective rate of 7.50%, while the other \$250.0 million of the senior unsecured notes mature in August 2019 and bear interest at an effective rate of 8.38%.

In November 2009, we repaid \$82.1 million of senior unsecured notes with an effective interest rate of 7.86% on their scheduled maturity date.

In January 2008, we repaid \$125.0 million of senior unsecured notes with an effective interest rate of 3.36% on their scheduled maturity date.

In May 2008, we repaid \$100.0 million of senior unsecured notes with an effective interest rate of 6.76% on their scheduled maturity date.

In May 2008, we issued \$325.0 million of 6.25% senior unsecured notes due in May 2013. After including the effect of forward starting swaps (see Note 14), which were designated as cash flow hedges for this offering, the effective interest rate is 7.36%.

The fair value of our fixed rate unsecured debt as of December 31, 2009 was approximately \$3.0 billion. We utilized multiple broker estimates in estimating the fair value. Our unsecured notes are thinly traded and, in many cases, the broker estimates were not based upon directly comparable transactions. As such, we have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon Level 3 inputs.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of December 31, 2009.

Unsecured Lines of Credit

Our unsecured lines of credit as of December 31, 2009 are described as follows (in thousands):

| Description | Borrowing Capacity | Maturity Date | Outstanding at December 31, 2009 |
|--|--------------------|---------------|----------------------------------|
| Unsecured Line of Credit DRLP | \$ 850,000 | February 2013 | \$ - |
| Unsecured Line of Credit Consolidated Subsidiary | \$ 30,000 | July 2011 | \$ 15,770 |

On November 20, 2009, the Company and DRLP renewed its unsecured line of credit. Under terms of the renewal, the DRLP unsecured line of credit has a borrowing capacity of \$850.0 million with an interest rate on borrowings of 275 basis points over the applicable LIBOR rate, and matures in February 2013. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional \$200.0 million, for a total of up to \$1.05 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage and debt-to-asset value (with asset value being defined in the DRLP unsecured line of credit agreement). As of December 31, 2009, we were in compliance with all covenants under this line of credit.

The consolidated subsidiary's unsecured line of credit allows for borrowings up to \$30.0 million at a rate of LIBOR plus .85% (equal to 1.08% for outstanding borrowings as of December 31, 2009). This unsecured line of credit is used to fund development activities within the consolidated subsidiary and matures in July 2011 with, at our option, a 12-month extension.

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To the extent that there are outstanding borrowings, we utilize a discounted cash flow methodology in order to estimate the fair value. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. The current market rate we utilized was internally estimated; therefore, we have concluded that our determination of fair value for our unsecured lines of credit was primarily based upon Level 3 inputs.

Changes in Fair Value

As all of our fair value debt disclosures relied primarily on Level 3 inputs, the following table summarizes the book value and changes in the fair value of our debt for the year ended December 31, 2009 (in thousands):

| | Book Value at 12/31/08 | Book Value at 12/31/09 | Fair Value at 12/31/08 | Total Realized Losses/(Gains) | Issuances/ Payoffs | Adjustments to Fair Value | Fair Value at 12/31/09 |
|----------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|-----------------------|------------------------------|---------------------------|
| Fixed rate secured debt | \$ 499,061 | \$ 766,299 | \$ 438,049 | \$ - | \$ 278,500 | \$ 53,706 | \$ 770,255 |
| Variable rate secured debt | 8,290 | 19,498 | 8,290 | - | 11,918 | (5,789) | 14,419 |
| Fixed rate unsecured notes | 3,285,980 | 3,052,465 | 2,196,689 | (42,028) | (207,016) | 1,094,585 | 3,042,230 |
| Unsecured lines of credit | 483,659 | 15,770 | 477,080 | - | (467,889) | 5,523 | 14,714 |
| Total | \$ 4,276,990 | \$ 3,854,032 | \$ 3,120,108 | \$ (42,028) | \$ (384,487) | \$ 1,148,025 | \$ 3,841,618 |

Scheduled Maturities and Interest Paid

At December 31, 2009, the scheduled amortization and maturities of all indebtedness, excluding fair value and other accounting adjustments, for the next five years and thereafter were as follows (in thousands):

| Year | Amount |
|------------|---------------------|
| 2010 | \$ 111,305 |
| 2011 | 623,105 |
| 2012 | 222,901 |
| 2013 | 484,819 |
| 2014 | 282,225 |
| Thereafter | 2,134,522 |
| | \$ 3,858,877 |

The amount of interest paid in 2009, 2008 and 2007 was \$224.0 million, \$235.6 million and \$225.8 million, respectively. The amount of interest capitalized in 2009, 2008 and 2007 was \$26.9 million, \$53.5 million and \$59.2 million, respectively.

(9) Segment Reporting

We have three reportable operating segments, the first two of which consist of the ownership and rental of office and industrial real estate investments. The operations of our office and industrial properties, along with our medical office and retail properties, are collectively referred to as **Rental Operations**. Our medical office and retail properties do not meet the quantitative thresholds for separate presentation as reportable segments. The third reportable segment consists of providing various real estate services such as property management, maintenance, leasing, development and construction management to third-party property owners and joint ventures, as well as our **Build-for-Sale** operations (defined below), and is collectively referred to as **Service Operations**. Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

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Gains on sale of properties developed or acquired with the intent to sell (Build-for-Sale properties), and whose operations prior to sale are insignificant, are classified as part of the income of the Service Operations business segment. The periods of operation for Build-for-Sale properties prior to sale were of short duration.

Other revenue consists of other operating revenues not identified with one of our operating segments. Interest expense and other non-property specific revenues and expenses are not allocated to individual segments in determining our performance measure.

We assess and measure our overall operating results based upon an industry performance measure referred to as Funds From Operations (FFO), which management believes is a useful indicator of our consolidated operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. The National Association of Real Estate Investment Trusts (NAREIT) created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with GAAP. FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated basic FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT. We do not allocate certain income and expenses (Non-Segment Items as shown in the table below) to our operating segments. Thus, the operational performance measure presented here on a segment-level basis represents net earnings excluding depreciation expense, as well as excluding the Non-Segment Items not allocated, and is not meant to present FFO as defined by NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated basic FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies.

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The following table shows (i) the revenues and FFO for each of the reportable segments and (ii) a reconciliation of consolidated basic FFO attributable to common shareholders to net income (loss) attributable to common shareholders for the years ended December 31, 2009, 2008 and 2007 (in thousands):

| | 2009 | 2008 | 2007 |
|---|---------------------|---------------------|---------------------|
| Revenues | | | |
| Rental Operations: | | | |
| Office | \$ 568,074 | \$ 555,592 | \$ 550,116 |
| Industrial | 258,888 | 250,078 | 218,055 |
| Non-reportable Rental Operations segments | 55,241 | 31,987 | 20,952 |
| Service Operations | 449,509 | 434,624 | 311,548 |
| Total Segment Revenues | 1,331,712 | 1,272,281 | 1,100,671 |
| Other Revenue | 12,377 | 19,902 | 21,424 |
| Consolidated Revenue from continuing operations | 1,344,089 | 1,292,183 | 1,122,095 |
| Discontinued Operations | 4,115 | 21,825 | 39,504 |
| Consolidated Revenue | \$ 1,348,204 | \$ 1,314,008 | \$ 1,161,599 |
| Reconciliation of Consolidated Basic Funds From Operations | | | |
| Net earnings excluding depreciation and Non-Segment Items | | | |
| Office | \$ 335,097 | \$ 333,190 | \$ 340,567 |
| Industrial | 194,183 | 191,795 | 166,827 |
| Non-reportable Rental Operations segments | 36,745 | 20,159 | 14,384 |
| Service Operations | 21,843 | 54,938 | 58,294 |
| | 587,868 | 600,082 | 580,072 |
| Non-Segment Items: | | | |
| Interest expense | (220,239) | (198,449) | (174,981) |
| Impairment charges | (302,811) | (18,463) | (5,658) |
| Interest and other income | 1,229 | 1,451 | 2,771 |
| General and administrative expenses | (47,937) | (39,508) | (37,727) |
| Gain on land sales | 357 | 12,651 | 33,998 |
| Undeveloped land carrying costs | (10,403) | (8,204) | (6,502) |
| Gain on debt transactions | 20,700 | 1,953 | - |
| Loss on business combinations | (1,062) | - | - |
| Income tax benefit (expense) | 6,070 | 7,005 | (6,260) |
| Other non-segment income | 5,905 | 17,332 | 19,025 |
| Net (income) loss attributable to noncontrolling interests | 11,340 | (2,620) | (17,342) |
| Noncontrolling interest share of FFO adjustments | (11,514) | (16,527) | (10,983) |
| Joint venture items | 46,862 | 61,643 | 50,085 |
| Dividends on preferred shares | (73,451) | (71,426) | (58,292) |
| Repurchase or redemption of preferred shares, net | - | 14,046 | (3,483) |
| Discontinued operations | (60) | 8,732 | 13,559 |
| Consolidated basic FFO attributable to common shareholders | 12,854 | 369,698 | 378,282 |
| Depreciation and amortization on continuing operations | (338,975) | (308,139) | (269,685) |
| Depreciation and amortization on discontinued operations | (1,151) | (6,813) | (8,006) |
| Company's share of joint venture adjustments | (36,966) | (38,321) | (26,948) |

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| | | | |
|---|--------------|-----------|------------|
| Earnings from depreciated property sales on continuing operations | 12,337 | - | - |
| Earnings from depreciated property sales on discontinued operations | 6,786 | 16,961 | 121,072 |
| Earnings from depreciated property sales - share of joint venture | - | 495 | 6,244 |
| Noncontrolling interest share of FFO adjustments | 11,514 | 16,527 | 10,983 |
| Net income (loss) attributable to common shareholders | \$ (333,601) | \$ 50,408 | \$ 211,942 |

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The assets for each of the reportable segments as of December 31, 2009 and 2008 are as follows (in thousands):

| | December 31, 2009 | December 31, 2008 |
|---|----------------------|----------------------|
| <u>Assets</u> | | |
| Rental Operations: | | |
| Office | \$ 3,394,229 | \$ 3,758,839 |
| Industrial | 2,233,607 | 2,363,632 |
| Non-reportable Rental Operations segments | 605,102 | 364,848 |
| Service Operations | 332,676 | 373,186 |
| Total Segment Assets | 6,565,614 | 6,860,505 |
| Non-Segment Assets | 738,665 | 830,378 |
| Consolidated Assets | \$ 7,304,279 | \$ 7,690,883 |

In addition to revenues and FFO, we also review our recurring capital expenditures in measuring the performance of our individual Rental Operations segments. These recurring capital expenditures consist of tenant improvements, leasing commissions and building improvements. We review these expenditures to determine the costs associated with re-leasing vacant space and maintaining the condition of our properties. Our recurring capital expenditures by segment are summarized as follows for the years ended December 31, 2009, 2008 and 2007 (in thousands):

| | 2009 | 2008 | 2007 |
|---|------------------|------------------|------------------|
| <u>Recurring Capital Expenditures</u> | | | |
| Office | \$ 64,281 | \$ 56,844 | \$ 68,427 |
| Industrial | 13,845 | 16,443 | 16,454 |
| Non-reportable Rental Operations segments | 928 | 1,527 | 1,055 |
| Total | \$ 79,054 | \$ 74,814 | \$ 85,936 |

(10) Leasing Activity

Future minimum rents due to us under non-cancelable operating leases at December 31, 2009 are as follows (in thousands):

| Year | Amount |
|------|------------|
| 2010 | \$ 675,323 |
| 2011 | 628,070 |
| 2012 | 557,069 |
| 2013 | 471,091 |
| 2014 | 384,981 |

| | |
|------------|--------------|
| Thereafter | 1,420,698 |
| | \$ 4,137,232 |

In addition to minimum rents, certain leases require reimbursements of specified operating expenses that amounted to \$191.0 million, \$183.2 million and \$177.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(11) Employee Benefit Plans

We maintain a 401(k) plan for full-time employees. We have historically made matching contributions up to an amount equal to three percent of the employee's salary and may also make annual discretionary contributions. We temporarily suspended the Company's matching program beginning in July 2009. The total expense recognized for this plan was \$1.6 million, \$3.0 million and \$3.7 million for the years ended December 31, 2009, 2008 and 2007, respectively.

We make contributions to a contributory health and welfare plan as necessary to fund claims not covered by employee contributions. The total expense we recognized related to this plan was \$11.2 million, \$9.6 million and \$9.3 million for 2009, 2008 and 2007, respectively. These expense amounts include estimates based upon the historical experience of claims incurred but not reported as of year-end.

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(12) Shareholders Equity

We periodically use the public equity markets to fund the development and acquisition of additional rental properties or to pay down debt. The proceeds of these offerings are contributed to DRLP in exchange for an additional interest in DRLP.

In April 2009, we issued 75.2 million shares of common stock for net proceeds of \$551.4 million.

In October 2007, we issued 7.0 million shares of our common stock for net proceeds of \$232.7 million.

Beginning in August 2007 and continuing through December 2008, we issued new shares of common stock under employee and non-employee stock purchase plans, as well as for dividend reinvestment plans. We received \$15.5 million and \$6.9 million of proceeds from these share issuances during the years ended December 31, 2008 and 2007, respectively.

In February 2008, we issued \$300.0 million of 8.375% Series O Cumulative Redeemable Preferred Shares and used the net proceeds to reduce the outstanding balance on DRLP's unsecured line of credit. Our Series O Cumulative Redeemable Preferred Shares have no stated maturity date although they may be redeemed, at our option, beginning in February 2013.

During the fourth quarter of 2008, pursuant to the share repurchase plan approved by our board of directors, we repurchased 109,500 preferred shares from all of our outstanding series. The preferred shares repurchased had a total redemption value of approximately \$27.4 million, and were repurchased for \$12.4 million. In conjunction with the repurchases, approximately \$924,000 of offering costs, the ratable portion of total offering costs associated with the repurchased shares, were charged against income attributable to common shareholders in the fourth quarter. A net gain of approximately \$14.0 million was included in income attributable to common shareholders. All shares repurchased were retired prior to December 31, 2008.

In October 2007, we redeemed all of our outstanding 7.99% Series B Cumulative Redeemable Preferred Shares at a liquidation amount of \$132.3 million. Offering costs of \$3.5 million were charged against net income attributable to common shareholders in conjunction with the redemption of these shares.

The following series of preferred shares were outstanding as of December 31, 2009 (in thousands, except percentage data):

| Description | Shares Outstanding | Dividend Rate | Optional | Liquidation Preference |
|--------------------|-----------------------|------------------|--------------------|---------------------------|
| | | | Redemption Date | |
| Series J Preferred | 396 | 6.625% | August 29, 2008 | \$ 99,058 |

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| | | | | |
|--------------------|-------|--------|-------------------|------------|
| Series K Preferred | 598 | 6.500% | February 13, 2009 | \$ 149,550 |
| Series L Preferred | 797 | 6.600% | November 30, 2009 | \$ 199,075 |
| Series M Preferred | 673 | 6.950% | January 31, 2011 | \$ 168,272 |
| Series N Preferred | 435 | 7.250% | June 30, 2011 | \$ 108,630 |
| Series O Preferred | 1,168 | 8.375% | February 22, 2013 | \$ 292,040 |

All series of preferred shares require cumulative distributions and have no stated maturity date (although we may redeem all such preferred shares on or following their optional redemption dates at our option, in whole or in part).

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(13) Stock Based Compensation

We are authorized to issue up to 12,692,083 shares of our common stock under our stock based employee and non-employee compensation plans.

Cash flows resulting from tax deductions in excess of recognized compensation cost from the exercise of stock options (excess tax benefits) were not significant in any period presented.

Fixed Stock Option Plans

We had options outstanding under five fixed stock option plans as of December 31, 2009. Additional grants may be made under one of those plans. Stock option awards granted under our stock based employee and non-employee compensation plans generally vest over five years at 20% per year and have contractual lives of ten years. The exercise price for stock option grants is set at the fair value of our common stock on the day of grant.

The following table summarizes transactions under our stock option plans as of December 31, 2009:

| | Shares | 2009 | | Aggregate Intrinsic Value (1) (in Millions) |
|----------------------------------|-----------|--|--|--|
| | | Weighted Average Exercise Price | Weighted Average Remaining Life | |
| Outstanding, beginning of year | 7,423,267 | \$ 27.84 | | |
| Granted | - | \$ - | | |
| Exercised | - | \$ - | | |
| Forfeited | (486,022) | \$ 26.61 | | |
| Expired | (463,857) | \$ 27.41 | | |
| Outstanding, end of year | 6,473,388 | \$ 27.96 | 6.27 | \$ - |
| Options exercisable, end of year | 3,403,629 | \$ 28.33 | 4.98 | \$ - |

- (1) Although this amount changes continuously based upon the market prices of the stock, none of the exercisable options outstanding had any pre-tax intrinsic value as of December 31, 2009.

Options granted in the years ended December 31, 2008 and 2007, respectively, had a weighted average fair value per option of \$1.76 and \$2.89. As of December 31, 2009, there was \$3.7 million of total unrecognized compensation expense related to stock options granted under the plans, which is expected to be recognized over a weighted average remaining period of 2.7 years. The total intrinsic value of options exercised during the years ended December 31, 2008 and 2007, respectively, was approximately \$898,000 and \$5.6 million. Compensation expense recognized for fixed stock option plans was \$2.6 million, \$3.9 million and \$2.3 million for the years ended December 31, 2009, 2008 and 2007, respectively. The fair value of options vested during the years ended December 31, 2009, 2008 and 2007 was \$3.0 million, \$2.6 million and \$1.6 million, respectively.

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The fair values of the options were determined using the Black-Scholes option-pricing model with the following assumptions:

| | 2008 | 2007 |
|-------------------------|----------------|-------------|
| Dividend yield | 6.75% | 5.75%-6.50% |
| Volatility | 20.0% | 18.0% |
| Risk-free interest rate | 2.79% | 3.63-4.78% |
| Expected life | 5 years | 5 years |

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The risk free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history of and our present expectation of future dividend payouts. Our computation of expected volatility for the valuation of stock options granted in the years ended December 31, 2008 and 2007 is based on historic, and our present expectation of future volatility over a period of time equal to the expected term. The expected life of employee stock options represents the weighted average period the stock options are expected to remain outstanding.

Restricted Stock Units

Under our 2005 Long-Term Incentive Plan and our 2005 Non-Employee Directors Compensation Plan approved by our shareholders in April 2005, restricted stock units (RSUs) may be granted to non-employee directors, executive officers and selected management employees. An RSU is economically equivalent to one share of our common stock. RSUs generally vest 20% per year over five years, have contractual lives of five years and are payable in shares of our common stock. However, RSUs granted to existing non-employee directors vest 100% over one year, and have contractual lives of one year. We recognize the value of the granted RSUs over this vesting period as expense.

The following table summarizes transactions for our RSUs, excluding dividend equivalents, for 2009:

| | Number of RSUs | Weighted Average Grant Date Fair Value |
|----------------------------------|-------------------|---|
| Restricted Stock Units | | |
| RSUs at December 31, 2008 | 401,375 | \$ 29.03 |
| Granted | 1,583,616 | \$ 9.32 |
| Vested | (129,352) | \$ 28.39 |
| Forfeited | (172,033) | \$ 12.53 |
| RSUs at December 31, 2009 | 1,683,606 | \$ 12.23 |

Compensation cost recognized for RSUs totaled \$7.3 million, \$4.9 million and \$3.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

As of December 31, 2009, there was \$6.7 million of total unrecognized compensation expense related to nonvested RSUs granted under the Plan, which is expected to be recognized over a weighted average period of 3.3 years.

(14) Financial Instruments

We are exposed to capital market risk, such as changes in interest rates. In an effort to manage interest rate risk, we may enter into interest rate hedging arrangements from time to time. We do not utilize derivative financial instruments for trading or speculative purposes.

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In November 2007, we entered into forward starting interest swaps with notional amounts appropriate to hedge interest rates on \$300.0 million of anticipated debt offerings in 2009. The forward starting swaps were appropriately designated and tested for effectiveness as cash flow hedges. In March 2008, we settled the forward starting swaps and made a cash payment of \$14.6 million to the counterparties. An effectiveness test was performed as of the settlement date and it was concluded that a highly effective cash flow hedge was still in place for the expected debt offering. Of the amount paid in settlement, approximately \$700,000 was immediately reclassified to interest expense, as the result of partial ineffectiveness calculated at the settlement date. The net amount of \$13.9 million was recorded in Other Comprehensive Income (OCI) and is being recognized through interest expense over the life of the hedged debt offering, which took place in May 2008. The remaining unamortized amount included as a reduction to accumulated OCI as of December 31, 2009 is \$9.3 million.

In August 2005, we entered into \$300.0 million of cash flow hedges through forward starting interest rate swaps to hedge interest rates on \$300.0 million of anticipated debt offerings in 2007. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In conjunction with the September 2007 issuance of \$300.0 million of senior unsecured notes, we terminated these cash flow hedges as designated. The settlement amount received of \$10.7 million is being recognized to earnings through a reduction of interest expense over the term of the hedged cash flows. The remaining unamortized amount included as an increase to accumulated OCI as of December 31, 2009 is \$8.2 million. The ineffective portion of the hedge was insignificant.

The effectiveness of our hedges is evaluated throughout their lives using the hypothetical derivative method under which the change in fair value of the actual swap designated as the hedging instrument is compared to the change in fair value of a hypothetical swap. We had no material interest rate derivatives, when considering both fair value and notional amount, at December 31, 2009.

(15) Commitments and Contingencies

We have guaranteed the repayment of \$82.1 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of eight of our unconsolidated subsidiaries. At December 31, 2009, the maximum guarantee exposure for these loans was approximately \$346.9 million. With the exception of the guarantee of the debt of 3630 Peachtree joint venture, for which we have recorded a contingent liability (footnote 7), management believes that the value of the underlying real estate exceeds the associated loan balances and that we will not be required to satisfy these guarantees.

In October 2000, we sold or contributed industrial properties and undeveloped land with a fair value of \$487.0 million to a joint venture (Dugan Realty LLC) in which we have a 50% interest and recognized a net gain of \$35.2 million. In connection with this transaction, the joint venture partners were given an option to put up to a \$50.0 million interest in

the joint venture to us in exchange for our common stock or cash (at our option), subject to certain timing and other restrictions. As a result of this put option, we deferred \$10.2 million of gain on sale of depreciated property and recorded a \$50.0 million liability.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

We lease certain land positions with terms extending to May 2070, with a total obligation of \$84.4 million. No payments on these ground leases are material in any individual year.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our consolidated financial statements or results of operations.

(16) Subsequent Events*Declaration of Dividends*

Our board of directors declared the following dividends at its regularly scheduled board meeting held on January 27, 2010:

| Class | Quarterly Amount/Share | Record Date | Payment Date |
|-----------------------------------|---------------------------|-------------------|-------------------|
| Common | \$ 0.17 | February 12, 2010 | February 26, 2010 |
| Preferred (per depositary share): | | | |
| Series J | \$ 0.414063 | February 12, 2010 | February 26, 2010 |
| Series K | \$ 0.406250 | February 12, 2010 | February 26, 2010 |
| Series L | \$ 0.412500 | February 12, 2010 | February 26, 2010 |
| Series M | \$ 0.434375 | March 17, 2010 | March 31, 2010 |
| Series N | \$ 0.453125 | March 17, 2010 | March 31, 2010 |
| Series O | \$ 0.523438 | March 17, 2010 | March 31, 2010 |

In January 2010, we repaid \$99.8 million of unsecured notes, which bore interest at an effective rate of 5.37%, at their scheduled maturity.

On February 11, 2010, we entered into an agreement to issue new shares of our common stock, from time to time, at an aggregate offering price of up to \$150.0 million. No new shares have yet been issued under this agreement.

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|--------------------------|-----------------------------|----------------|--------------|-----------|--|---------------------------|----------|----------|------------------------------|-------------------------------|----------|
| Table of Contents | | | | | | | | | | | Schedule |
| Table of Contents | | | | | | | | | | | 2009 |
| Name | Building Type | Encumbrances | Initial Cost | | Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Year Constructed or Renovated | |
| | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | | |
| AS | One Allen Center | Office | - | 1,966 | 11,051 | 4,067 | 1,720 | 15,364 | 17,084 | 1,464 | 2007 |
| GA, GEORGIA | | | | | | | | | | | |
| ce Park | Radiant I | Office | - | 1,269 | 14,697 | 132 | 1,269 | 14,829 | 16,098 | 3,909 | 1998 |
| ce Park | Brookside I | Office | 8,527 | 1,625 | 8,041 | 4,336 | 1,492 | 12,510 | 14,002 | 3,530 | 1999 |
| ce Park | Radiant II | Office | - | 831 | 6,755 | 203 | 831 | 6,958 | 7,789 | 1,603 | 2000 |
| ce Park | Brookside II | Office | 9,343 | 1,381 | 10,176 | 2,245 | 1,248 | 12,554 | 13,802 | 3,332 | 2001 |
| nter | Northwinds VII | Office | - | 2,271 | 19,226 | 2,021 | 2,304 | 21,214 | 23,518 | 5,750 | 1998 |
| nter | Northwinds I | Office | - | 1,879 | 12,520 | 2,349 | 1,879 | 14,869 | 16,748 | 2,449 | 1997 |
| nter | Northwinds II | Office | - | 1,796 | 12,766 | 771 | 1,796 | 13,537 | 15,333 | 2,252 | 1997 |
| nter | Northwinds III | Office | 14,761 | 1,868 | 12,883 | 431 | 1,499 | 13,683 | 15,182 | 2,361 | 1998 |
| nter | Northwinds IV | Office | 14,049 | 1,844 | 12,996 | 2,149 | 1,844 | 15,145 | 16,989 | 3,019 | 1999 |
| nter | Northwinds V | Office | - | 2,215 | 12,482 | 2,063 | 2,215 | 14,545 | 16,760 | 2,519 | 1999 |
| nter | Northwinds VI | Office | - | 2,662 | 12,105 | 950 | 2,662 | 13,055 | 15,717 | 2,277 | 2000 |
| nter | Northwinds Village | Retail | - | 704 | 4,221 | 203 | 710 | 4,418 | 5,128 | 719 | 2000 |
| nter | Northwinds Restaurant | Retail | - | 202 | 302 | - | 202 | 302 | 504 | 52 | 1997 |
| | 1320 Ridgeland Parkway | Industrial | - | 998 | 6,001 | 213 | 998 | 6,214 | 7,212 | 1,605 | 1999 |
| | 1345 Ridgeland Parkway | Industrial | - | 488 | 2,005 | 1,073 | 488 | 3,078 | 3,566 | 970 | 1999 |
| | 1335 Ridgeland Pkwy | Industrial | - | 579 | 2,105 | 795 | 579 | 2,900 | 3,479 | 1,035 | 2000 |
| | Preston Ridge IV | Office | 8,173 | 2,777 | 9,533 | 728 | 2,781 | 10,257 | 13,038 | 1,990 | 2000 |
| | 800 North Point Parkway | Office | - | 1,250 | 18,443 | - | 1,250 | 18,443 | 19,693 | 3,322 | 1991 |
| | 900 North Point Parkway | Office | - | 1,250 | 13,945 | - | 1,250 | 13,945 | 15,195 | 2,532 | 1991 |
| TEXAS | | | | | | | | | | | |
| ical Development | Baylor Ortho Hosp-Arlington | Medical Office | 11,918 | 584 | 9,808 | - | 584 | 9,808 | 10,392 | - | 2009 |
| HEIGHTS, ILLINOIS | | | | | | | | | | | |
| ness Park | Atrium II | Office | - | 776 | 6,414 | 2,787 | 776 | 9,201 | 9,977 | 2,877 | 1986 |
| GEORGIA | | | | | | | | | | | |
| | 6 West Druid Hills Drive | Office | - | 473 | 5,976 | (702) | 473 | 5,274 | 5,747 | 2,645 | 1968 |
| | 2801 Buford Highway | Office | - | 794 | 9,155 | 853 | 794 | 10,008 | 10,802 | 3,767 | 1977 |
| | 1190 West Druid Hills Drive | Office | - | 689 | 6,479 | (545) | 689 | 5,934 | 6,623 | 2,394 | 1980 |
| ILINOIS | | | | | | | | | | | |
| ness Campus | 535 Exchange | Industrial | - | 386 | 920 | 269 | 386 | 1,189 | 1,575 | 406 | 1984 |
| ness Campus | 525 North Enterprise Street | Industrial | - | 342 | 1,678 | 110 | 342 | 1,788 | 2,130 | 595 | 1984 |
| ness Campus | 615 North Enterprise Street | Industrial | - | 468 | 2,824 | 679 | 468 | 3,503 | 3,971 | 1,264 | 1984 |

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| | | | | | | | | | | | |
|------------------|--------------------------------|----------------|--------|-------|--------|-------|-------|--------|--------|-------|------|
| Business Campus | 3615 Exchange | Industrial | - | 410 | 1,555 | 140 | 410 | 1,695 | 2,105 | 581 | 1986 |
| Business Campus | 4000 Sussex Avenue | Industrial | - | 417 | 1,711 | 371 | 417 | 2,082 | 2,499 | 689 | 1990 |
| Business Campus | 3737 East Exchange | Industrial | - | 598 | 2,543 | 196 | 598 | 2,739 | 3,337 | 912 | 1985 |
| Business Campus | 444 North Commerce Street | Industrial | - | 722 | 5,403 | 597 | 722 | 6,000 | 6,722 | 2,100 | 1985 |
| Business Campus | 880 North Enterprise Street | Industrial | 4,447 | 1,150 | 5,646 | 626 | 1,150 | 6,272 | 7,422 | 1,900 | 2000 |
| Business Campus | Meridian Office Service Center | Industrial | - | 567 | 1,083 | 1,701 | 567 | 2,784 | 3,351 | 871 | 2001 |
| Business Campus | Genera Corporation | Industrial | 3,552 | 1,957 | 3,827 | - | 1,957 | 3,827 | 5,784 | 957 | 2004 |
| Business Campus | Butterfield 550 | Industrial | - | 9,185 | 10,795 | 1,512 | 9,185 | 12,307 | 21,492 | 758 | 2008 |
| MARYLAND | | | | | | | | | | | |
| Business Center | 5901 Holabird Ave | Industrial | - | 3,345 | 4,220 | 3,307 | 3,345 | 7,527 | 10,872 | 950 | 2008 |
| Business Center | 5003 Holabird Ave | Industrial | - | 6,488 | 9,213 | 1,577 | 6,488 | 10,790 | 17,278 | 916 | 2008 |
| MICHIGAN | | | | | | | | | | | |
| Business Center | Clermont MOB | Medical Office | - | - | 8,249 | 831 | - | 9,080 | 9,080 | 1,411 | 2006 |
| TEXAS | | | | | | | | | | | |
| Business Park | Cedar Crossing | Industrial | 11,623 | 9,323 | 5,934 | - | 9,323 | 5,934 | 15,257 | 824 | 2005 |
| TENNESSEE | | | | | | | | | | | |
| Business Center | Four-Forty Business Center I | Industrial | - | 938 | 6,454 | 93 | 938 | 6,547 | 7,485 | 1,718 | 1997 |
| Business Center | Four-Forty Business Center III | Industrial | - | 1,812 | 7,432 | 820 | 1,812 | 8,252 | 10,064 | 2,177 | 1998 |
| Business Center | Four-Forty Business Center IV | Industrial | - | 1,522 | 5,365 | 529 | 1,522 | 5,894 | 7,416 | 1,571 | 1997 |
| Business Center | Four-Forty Business Center V | Industrial | - | 471 | 2,335 | 541 | 471 | 2,876 | 3,347 | 785 | 1999 |

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Company Corporation
 Schedule III
 and Accumulated Depreciation
 12/31, 2009
 (in thousands)

| Asset | Name | Building Type | Encumbrances | Initial Cost | | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Year Constructed/Renovated |
|-------------------|-------------------------------|---------------|--------------|--------------|-----------|--|---|---------------------------|----------|----------|------------------------------|----------------------------|
| | | | | Land | Buildings | | | Land/Land Imp | Bldgs/TI | Total(1) | | |
| MINNESOTA | | | | | | | | | | | | |
| Business Center | Alpha Business Ctr I&II | Office | - | 280 | 1,344 | | 365 | 280 | 1,709 | 1,989 | 470 | 1980 |
| Business Center | Alpha Business Ctr III&IV | Industrial | - | 341 | 1,726 | | 380 | 341 | 2,106 | 2,447 | 610 | 1980 |
| Business Center | Alpha Business Ctr V | Industrial | - | 537 | 2,845 | | 361 | 538 | 3,205 | 3,743 | 906 | 1980 |
| Dist. Center | Hampshire Dist Center North | Industrial | 656 | 779 | 4,482 | | 286 | 779 | 4,768 | 5,547 | 1,525 | 1979 |
| Dist. Center | Hampshire Dist Center South | Industrial | 780 | 901 | 5,033 | | 428 | 901 | 5,461 | 6,362 | 1,697 | 1979 |
| Prime Office Park | Norman Pointe I | Office | - | 3,650 | 25,417 | | 2,443 | 3,650 | 27,860 | 31,510 | 6,989 | 2000 |
| Prime Office Park | Norman Pointe II | Office | - | 5,885 | 38,649 | | 6,954 | 5,700 | 45,788 | 51,488 | 3,397 | 2007 |
| OHIO | | | | | | | | | | | | |
| Office | McAuley Place | Office | - | 2,331 | 17,455 | | 2,343 | 2,331 | 19,798 | 22,129 | 5,227 | 2001 |
| Bank Building | Huntington Bank Building | Office | - | 175 | 241 | | - | 175 | 241 | 416 | 86 | 1986 |
| /Westlake | Lake Forest Place | Office | - | 1,953 | 18,583 | | 4,486 | 1,953 | 23,069 | 25,022 | 7,988 | 1985 |
| Office Park | Northmark Building I | Office | - | 1,452 | 3,003 | | 792 | 1,452 | 3,795 | 5,247 | 1,074 | 1987 |
| /Westlake | Westlake Center | Office | - | 2,459 | 14,899 | | 4,279 | 2,459 | 19,178 | 21,637 | 6,982 | 1981 |
| | Landings Building I | Office | - | 4,302 | 17,512 | | 334 | 4,302 | 17,846 | 22,148 | 2,942 | 2006 |
| | Landings Building II | Office | - | 4,817 | 9,377 | | 4,143 | 4,817 | 13,520 | 18,337 | 1,792 | 2007 |
| ILLINOIS | | | | | | | | | | | | |
| Business Park | 555 Joliet Road | Industrial | 7,580 | 2,184 | 9,263 | | 799 | 2,332 | 9,914 | 12,246 | 2,142 | 2002 |
| Business Park | Dawes Transportation | Industrial | - | 3,050 | 4,453 | | 16 | 3,050 | 4,469 | 7,519 | 1,140 | 2005 |
| Business Park | Chapco Carton Company | Industrial | 3,686 | 917 | 4,527 | | 49 | 917 | 4,576 | 5,493 | 926 | 1999 |
| GEORGIA | | | | | | | | | | | | |
| Business Park | Braselton II | Industrial | - | 1,365 | 8,720 | | 1,814 | 1,884 | 10,015 | 11,899 | 2,504 | 2001 |
| Braselton | Park 85 at Braselton Bldg 625 | Industrial | 13,268 | 9,855 | 25,690 | | 1,656 | 9,855 | 27,346 | 37,201 | 4,690 | 2006 |
| Braselton | 1350 Braselton Parkway | Industrial | - | 8,227 | 8,874 | | 1,979 | 8,227 | 10,853 | 19,080 | 1,050 | 2008 |
| TENNESSEE | | | | | | | | | | | | |
| South Bus. Center | Brentwood South Bus Ctr I | Industrial | - | 1,065 | 5,321 | | 1,178 | 1,065 | 6,499 | 7,564 | 1,776 | 1987 |
| South Bus. Center | Brentwood South Bus Ctr II | Industrial | - | 1,065 | 2,721 | | 1,310 | 1,065 | 4,031 | 5,096 | 1,157 | 1987 |

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| | | | | | | | | | | | |
|----------------------------|------------------------------------|-------------------|---|--------|--------|-------|--------|--------|--------|-------|------|
| South Bus. Center | Brentwood South Bus Ctr III | Industrial | - | 848 | 3,742 | 720 | 848 | 4,462 | 5,310 | 1,279 | 1989 |
| Crossing | Creekside Crossing I | Office | - | 1,900 | 7,470 | 1,218 | 1,901 | 8,687 | 10,588 | 2,966 | 1998 |
| Crossing | Creekside Crossing II | Office | - | 2,087 | 7,635 | 1,421 | 2,087 | 9,056 | 11,143 | 3,236 | 2000 |
| Crossing | Creekside Crossing III | Office | - | 2,969 | 9,621 | 2,196 | 2,969 | 11,817 | 14,786 | 2,425 | 2006 |
| Crossing | Creekside Crossing IV | Office | - | 2,966 | 7,775 | 4,241 | 2,877 | 12,105 | 14,982 | 1,402 | 2007 |
| LYN PARK, MINNESOTA | | | | | | | | | | | |
| land Drive | 7300 Northland Drive | Industrial | - | 700 | 6,361 | 306 | 703 | 6,664 | 7,367 | 2,282 | 1999 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 1 | Industrial | - | 835 | 4,899 | 1,314 | 1,286 | 5,762 | 7,048 | 1,695 | 1998 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 2 | Industrial | - | 449 | 2,695 | 738 | 599 | 3,283 | 3,882 | 1,059 | 1998 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 3 | Industrial | - | 758 | 1,887 | 265 | 837 | 2,073 | 2,910 | 718 | 1999 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 4 | Industrial | - | 2,079 | 6,298 | 1,348 | 2,397 | 7,328 | 9,725 | 2,329 | 1999 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 5 | Industrial | - | 1,079 | 4,430 | 714 | 1,354 | 4,869 | 6,223 | 1,443 | 2000 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 6 | Industrial | - | 788 | 2,517 | 2,212 | 1,031 | 4,486 | 5,517 | 1,789 | 2000 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 10 | Industrial | - | 2,757 | 4,642 | 1,079 | 2,723 | 5,755 | 8,478 | 1,605 | 2005 |
| North Bus. Ctr. | Crosstown North Bus. Ctr. 12 | Industrial | - | 4,564 | 8,494 | 614 | 4,564 | 9,108 | 13,672 | 1,638 | 2005 |
| BURG, INDIANA | | | | | | | | | | | |
| West-MOB | Ortho Indy West-MOB | Medical Office | - | - | 9,817 | 1,575 | 837 | 10,555 | 11,392 | 393 | 2008 |
| , NEW YORK | | | | | | | | | | | |
| elopment | HealthNow | Office | - | 11,606 | 54,009 | 4,503 | 19,821 | 50,297 | 70,118 | 3,990 | 2007 |
| INDIANA | | | | | | | | | | | |
| rossing | Hamilton Crossing I | Industrial | - | 833 | 3,883 | 2,848 | 845 | 6,719 | 7,564 | 3,196 | 2000 |
| rossing | Hamilton Crossing II | Office | - | 313 | 840 | 1,200 | 384 | 1,969 | 2,353 | 872 | 1997 |
| rossing | Hamilton Crossing III | Office | - | 890 | 9,122 | 2,304 | 890 | 11,426 | 12,316 | 4,028 | 2000 |
| rossing | Hamilton Crossing IV | Office | - | 515 | 5,168 | 596 | 598 | 5,681 | 6,279 | 1,790 | 1999 |
| rossing | Hamilton Crossing VI | Office | - | 1,044 | 13,234 | 977 | 1,068 | 14,187 | 15,255 | 3,065 | 2004 |

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| | | | | | | | | | | | | | |
|-------------------------|-------------------------------|------------|--------|--------|--------|--------|--------|--------|--------|--------|------|---|--|
| hons Hill | Towers of Kenwood | | | | | | | | | | | | |
| hons Hill | 8790 Governor s Hill | Office | - | 400 | 4,440 | 1,293 | 408 | 5,725 | 6,133 | 2,444 | 1985 | 1 | |
| hons Hill | 8800 Governor s Hill | Office | - | 225 | 2,293 | 597 | 231 | 2,884 | 3,115 | 1,644 | 1985 | 1 | |
| hons Hill | 8600/8650 Governor s Hill Dr. | Office | - | 1,220 | 17,878 | 6,284 | 1,245 | 24,137 | 25,382 | 10,685 | 1986 | 1 | |
| od Executive Center | Kenwood Executive Center | Office | - | 606 | 3,715 | 1,018 | 664 | 4,675 | 5,339 | 1,600 | 1981 | 1 | |
| od Commons | 8230 Kenwood Commons | Office | 3,081 | 638 | 4,173 | 1,006 | 638 | 5,179 | 5,817 | 3,107 | 1986 | 1 | |
| od Commons | 8280 Kenwood Commons | Office | 1,819 | 638 | 2,831 | 533 | 638 | 3,364 | 4,002 | 1,746 | 1986 | 1 | |
| od Medical Office Bldg. | Kenwood Medical Office Bldg. | Office | - | - | 7,663 | 100 | - | 7,763 | 7,763 | 2,153 | 1999 | 1 | |
| r Place | Pfeiffer Place | Office | - | 3,608 | 11,601 | 1,589 | 3,608 | 13,190 | 16,798 | 3,322 | 2001 | 2 | |
| r Woods | Pfeiffer Woods | Office | - | 1,450 | 12,134 | 1,818 | 2,131 | 13,271 | 15,402 | 3,965 | 1998 | 1 | |
| ngton Office Park | Remington Park Building A | Office | - | 560 | 1,448 | 161 | 560 | 1,609 | 2,169 | 866 | 1982 | 1 | |
| ngton Office Park | Remington Park Building B | Office | - | 560 | 1,121 | 306 | 560 | 1,427 | 1,987 | 713 | 1982 | 1 | |
| le Office Park | Triangle Office Park | Office | 2,680 | 1,018 | 10,486 | 1,790 | 1,018 | 12,276 | 13,294 | 7,131 | 1985 | 1 | |
| STON, MISSOURI | | | | | | | | | | | | | |
| outh Hanley | 101 South Hanley | Office | - | 6,150 | 42,237 | 3,166 | 6,150 | 45,403 | 51,553 | 11,045 | 1986 | 2 | |
| UMBUS, OHIO | | | | | | | | | | | | | |
| | One Easton Oval | Office | - | 2,789 | 9,610 | 1,099 | 2,789 | 10,709 | 13,498 | 3,286 | 1999 | 1 | |
| | Two Easton Oval | Office | - | 2,489 | 15,969 | 2,580 | 2,489 | 18,549 | 21,038 | 5,495 | 1996 | 1 | |
| | Easton Way One | Office | - | 1,874 | 8,874 | 688 | 1,874 | 9,562 | 11,436 | 3,191 | 2000 | 2 | |
| | Easton Way Two | Office | - | 2,005 | 6,789 | 866 | 2,005 | 7,655 | 9,660 | 1,617 | 2001 | 2 | |
| | Easton Way Three Lane | Office | - | 2,768 | 8,462 | 136 | 2,693 | 8,673 | 11,366 | 1,716 | 2003 | 2 | |
| | Bryant 4400 | Office | - | 4,346 | 11,395 | 76 | 4,346 | 11,471 | 15,817 | 2,677 | 2006 | 2 | |
| | Easton Commons | Office | - | 1,886 | 7,779 | 1,350 | 1,886 | 9,129 | 11,015 | 2,250 | 2006 | 2 | |
| | 4343 Easton Commons | Office | - | 3,059 | 7,248 | 3,276 | 3,083 | 10,500 | 13,583 | 970 | 2007 | 2 | |
| ELL, TEXAS | | | | | | | | | | | | | |
| rt North West Office | Freeport X Point West I | Industrial | 18,339 | 8,198 | 18,249 | 3,031 | 8,198 | 21,280 | 29,478 | 7,485 | 2004 | 2 | |
| West Industrial | Point West VI | Office | - | 5,513 | 9,288 | 11,062 | 6,643 | 19,220 | 25,863 | 1,398 | 2008 | 2 | |
| West Industrial | Point West VI | Industrial | 10,711 | 10,181 | 17,905 | 4,117 | 10,181 | 22,022 | 32,203 | 2,131 | 2008 | 2 | |
| West Industrial | Point West VII | Industrial | 8,158 | 6,785 | 13,668 | 2,570 | 6,892 | 16,131 | 23,023 | 1,674 | 2008 | 2 | |
| West Industrial | | Grounds | - | 306 | - | - | 306 | - | 306 | - | n/a | 2 | |

Samsung
Pkg
Lot-PWT7

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| Accumulated Depreciation | | | | | | | | | | | | Sche |
|--------------------------|--------------------------------|----------------|--------------|-----------|--|---------------------------|----------|----------|------------------------------|--------|---|------|
| Name | Building Type | Encumbrances | Initial Cost | | Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Cons | | |
| | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | | | |
| Dallas | Baylor Administration Building | Medical Office | - | 50 | 14,435 | - | 50 | 14,435 | 14,485 | 296 | 2 | |
| FLORIDA | | | | | | | | | | | | |
| Center | Park 27 Distribution Center I | Industrial | - | 2,449 | 6,107 | 33 | 2,449 | 6,140 | 8,589 | 2,026 | 2 | |
| Center | Park 27 Distribution Center II | Industrial | - | 4,374 | 8,218 | 4,697 | 4,415 | 12,874 | 17,289 | 1,525 | 2 | |
| ILLINOIS | | | | | | | | | | | | |
| oad | 2180 South Wolf Road | Industrial | - | 179 | 1,515 | 548 | 179 | 2,063 | 2,242 | 662 | 1 | |
| INDIANA, ILLINOIS | | | | | | | | | | | | |
| | Executive Towers I | Office | - | 2,652 | 22,973 | 7,422 | 2,652 | 30,395 | 33,047 | 10,343 | 1 | |
| | Executive Towers II | Office | - | 3,386 | 26,773 | 10,766 | 3,386 | 37,539 | 40,925 | 12,219 | 1 | |
| | Executive Towers III | Office | - | 3,512 | 31,195 | 7,000 | 3,512 | 38,195 | 41,707 | 13,469 | 1 | |
| nter | Scioto Corporate Center | Office | - | 1,100 | 2,742 | 1,598 | 1,100 | 4,340 | 5,440 | 1,614 | 1 | |
| | Qwest | Office | - | 2,618 | 18,520 | 1,845 | 2,670 | 20,313 | 22,983 | 8,636 | 1 | |
| | 4600 Lakehurst | Office | - | 1,494 | 12,759 | 561 | 1,524 | 13,290 | 14,814 | 5,632 | 1 | |
| | 4700 Lakehurst Court | Office | - | 717 | 2,372 | 901 | 717 | 3,273 | 3,990 | 1,432 | 1 | |
| | 4675 Lakehurst | Office | - | 605 | 5,845 | 205 | 605 | 6,050 | 6,655 | 2,375 | 1 | |
| | 5500 Glendon Court | Office | - | 1,066 | 6,939 | 1,267 | 1,066 | 8,206 | 9,272 | 3,288 | 1 | |
| | 5555 Glendon Court | Office | - | 1,600 | 6,749 | 1,653 | 1,767 | 8,235 | 10,002 | 3,418 | 1 | |
| | 6060 Britton Parkway | Office | - | 1,601 | 8,725 | 182 | 1,601 | 8,907 | 10,508 | 5,011 | 1 | |
| | Compmanagement | Office | - | 867 | 4,397 | 759 | 867 | 5,156 | 6,023 | 2,149 | 1 | |
| | 4725 Lakehurst | Office | - | 483 | 9,349 | 759 | 483 | 10,108 | 10,591 | 4,229 | 1 | |
| | 5555 Parkcenter Circle | Office | - | 1,580 | 8,908 | 1,122 | 1,580 | 10,030 | 11,610 | 4,081 | 1 | |
| | Parkwood Place | Office | - | 1,690 | 11,534 | 1,094 | 1,690 | 12,628 | 14,318 | 5,795 | 1 | |
| | Nationwide | Office | - | 4,815 | 15,345 | 863 | 4,815 | 16,208 | 21,023 | 5,925 | 1 | |
| | Emerald II | Office | - | 495 | 2,532 | 249 | 495 | 2,781 | 3,276 | 835 | 1 | |
| | Atrium II, South Tower | Office | - | 1,649 | 9,214 | 660 | 1,649 | 9,874 | 11,523 | 3,467 | 1 | |
| | Atrium II, North Tower | Office | - | 1,597 | 7,774 | 1,134 | 1,597 | 8,908 | 10,505 | 2,710 | 1 | |
| | Blazer I | Office | - | 904 | 3,894 | 594 | 904 | 4,488 | 5,392 | 1,192 | 1 | |
| | Parkwood II | Office | - | 1,848 | 11,389 | 821 | 2,400 | 11,658 | 14,058 | 3,065 | 2 | |
| | Blazer II | Office | - | 1,016 | 5,776 | 1,188 | 1,016 | 6,964 | 7,980 | 2,254 | 2 | |
| | Emerald III | Office | - | 1,685 | 7,392 | 2,014 | 1,694 | 9,397 | 11,091 | 2,772 | 2 | |
| INDIANA | | | | | | | | | | | | |
| | 3805 Crestwood Parkway | Office | - | 877 | 14,206 | 1,501 | 877 | 15,707 | 16,584 | 4,345 | 1 | |
| | 3885 Crestwood Parkway | Office | - | 878 | 13,667 | 1,245 | 878 | 14,912 | 15,790 | 4,049 | 1 | |
| | Hampton Green Office I | Office | - | 1,388 | 10,091 | 789 | 1,388 | 10,880 | 12,268 | 2,772 | 2 | |
| garloaf | 2775 Premiere Parkway | Industrial | 6,629 | 560 | 4,538 | 304 | 565 | 4,837 | 5,402 | 1,310 | 1 | |
| garloaf | 3079 Premiere Parkway | Industrial | 10,845 | 776 | 5,470 | 2,156 | 783 | 7,619 | 8,402 | 2,298 | 1 | |
| garloaf | Sugarloaf Office I | Office | - | 1,042 | 8,400 | 725 | 1,042 | 9,125 | 10,167 | 2,616 | 1 | |
| garloaf | 2850 Premiere Parkway | Office | 8,182 | 621 | 4,621 | 1,004 | 627 | 5,619 | 6,246 | 949 | 1 | |
| garloaf | Sugarloaf Office II (3039) | Office | - | 972 | 3,784 | 625 | 1,006 | 4,375 | 5,381 | 921 | 1 | |
| garloaf | Sugarloaf Office III (2810) | Office | - | 696 | 3,804 | 472 | 696 | 4,276 | 4,972 | 1,057 | 1 | |
| garloaf | 2855 Premiere Parkway | Industrial | 5,780 | 765 | 3,297 | 586 | 770 | 3,878 | 4,648 | 1,027 | 1 | |
| garloaf | 6655 Sugarloaf | Industrial | 11,453 | 1,651 | 6,985 | 95 | 1,659 | 7,072 | 8,731 | 1,449 | 1 | |
| garloaf | Sugarloaf Office IV | Office | - | 623 | 2,606 | 471 | 623 | 3,077 | 3,700 | 936 | 2 | |
| garloaf | Sugarloaf Office V | Office | - | 744 | 1,968 | 808 | 744 | 2,776 | 3,520 | 624 | 2 | |
| garloaf | Sugarloaf VI | Office | - | 1,589 | 5,608 | 1,290 | 1,589 | 6,898 | 8,487 | 1,835 | 2 | |
| garloaf | Sugarloaf VII | Office | - | 1,722 | 5,055 | 2,563 | 1,726 | 7,614 | 9,340 | 1,203 | 2 | |
| INDIANA | | | | | | | | | | | | |
| nter | Apollo Industrial Ctr I | Industrial | 4,050 | 866 | 4,366 | 1,472 | 882 | 5,822 | 6,704 | 2,010 | 1 | |

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| | | | | | | | | | | |
|-----------------|-------------------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Center | Apollo Industrial Ctr II | Industrial | 1,865 | 474 | 2,455 | 167 | 474 | 2,622 | 3,096 | 716 |
| Center | Apollo Industrial Ctr III | Industrial | 4,937 | 1,432 | 6,316 | 51 | 1,432 | 6,367 | 7,799 | 1,716 |
| Centers | Silver Bell Commons | Industrial | - | 1,807 | 5,835 | 1,748 | 1,908 | 7,482 | 9,390 | 2,476 |
| Commerce Center | Trapp Road Commerce Center I | Industrial | 2,729 | 671 | 3,847 | 453 | 700 | 4,271 | 4,971 | 1,315 |
| Commerce Center | Trapp Road Commerce Center II | Industrial | 4,842 | 1,250 | 6,642 | 1,095 | 1,266 | 7,721 | 8,987 | 2,554 |

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| Name | Building Type | Encumbrances | Initial Cost | | Cost Capitalized Subsequent to Development or Acquisition | | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Com |
|--------------------------------|----------------|--------------|--------------|-----------|---|----------|---------------------------|--------|--|------------------------------|-----|
| | | | Land | Buildings | Land/Land Imp | Bldgs/TI | Total(1) | | | | |
| MISSOURI | | | | | | | | | | | |
| Rider Trail | Office | - | 2,615 | 10,769 | 2,429 | 2,615 | 13,198 | 15,813 | | 4,546 | |
| 3300 Pointe 70 | Office | - | 1,186 | 6,447 | 2,556 | 1,186 | 9,003 | 10,189 | | 3,327 | |
| Corporate Center, Earth City | Industrial | - | 783 | 2,748 | 1,506 | 783 | 4,254 | 5,037 | | 2,013 | |
| Corporate Trail Distribution | Industrial | - | 2,850 | 6,163 | 1,759 | 2,875 | 7,897 | 10,772 | | 1,222 | |
| MORGIA | | | | | | | | | | | |
| Camp Creek Bldg 1400 | Office | 5,312 | 561 | 2,523 | 1,187 | 563 | 3,708 | 4,271 | | 841 | |
| Camp Creek Bldg 1800 | Office | 4,244 | 462 | 2,578 | 370 | 464 | 2,946 | 3,410 | | 715 | |
| Camp Creek Bldg 2000 | Office | 3,868 | 395 | 2,285 | 123 | 397 | 2,406 | 2,803 | | 553 | |
| Camp Creek Bldg 2400 | Industrial | 3,189 | 296 | 1,570 | 692 | 298 | 2,260 | 2,558 | | 574 | |
| Camp Creek Bldg 2600 | Industrial | 3,420 | 364 | 2,086 | 227 | 366 | 2,311 | 2,677 | | 583 | |
| 3201 Centre Parkway-Clorox | Industrial | 19,163 | 4,406 | 9,512 | 612 | 4,841 | 9,689 | 14,530 | | 2,386 | |
| Camp Creek Building 1200 | Office | - | 1,334 | 2,246 | 1,074 | 1,334 | 3,320 | 4,654 | | 1,576 | |
| 3900 North Commerce | Industrial | 5,274 | 1,059 | 2,966 | - | 1,059 | 2,966 | 4,025 | | 584 | |
| 3909 North Commerce | Industrial | - | 5,687 | 10,192 | 12,287 | 8,818 | 19,348 | 28,166 | | 3,829 | |
| 4200 N. Commerce-Hartsfield WH | Industrial | 11,833 | 2,065 | 7,076 | 71 | 2,065 | 7,147 | 9,212 | | 979 | |
| Camp Creek Building 1000 | Office | - | 1,537 | 2,459 | 1,126 | 1,540 | 3,582 | 5,122 | | 1,048 | |
| 3000 Centre Parkway | Industrial | - | 1,163 | 1,884 | 964 | 1,170 | 2,841 | 4,011 | | 551 | |
| 1500 Centre Parkway | Office | - | 1,683 | 5,564 | 3,322 | 1,700 | 8,869 | 10,569 | | 862 | |
| 1100 Centre Parkway | Office | - | 1,309 | 4,881 | 310 | 1,328 | 5,172 | 6,500 | | 411 | |
| 4800 N. Commerce Dr. (Site Q) | Industrial | - | 2,476 | 4,650 | 706 | 2,476 | 5,356 | 7,832 | | 288 | |
| MORGIA | | | | | | | | | | | |
| 1086 Orafold Pkwy | Industrial | 10,877 | 2,042 | 13,104 | 190 | 2,046 | 13,290 | 15,336 | | 1,003 | |
| DIANA | | | | | | | | | | | |
| St. Mary's Heart Institute | Medical Office | - | - | 20,946 | 1,534 | - | 22,480 | 22,480 | | 2,889 | |
| INDIANA | | | | | | | | | | | |
| Thunderbird Building 1 | Industrial | - | 248 | 1,617 | 334 | 248 | 1,951 | 2,199 | | 768 | |
| MISSISSIPPI | | | | | | | | | | | |
| Exit 5 Building 1 | Industrial | - | 822 | 2,636 | 158 | 822 | 2,794 | 3,616 | | 932 | |
| Exit 5 Building 2 | Industrial | - | 749 | 3,825 | 401 | 749 | 4,226 | 4,975 | | 1,796 | |
| St. Vincent Northeast MOB | Medical Office | - | - | 23,101 | 4,414 | 4,198 | 23,317 | 27,515 | | 2,079 | |
| MISSISSIPPI | | | | | | | | | | | |
| Aspen Grove Business Ctr I | Industrial | - | 936 | 6,333 | 2,872 | 936 | 9,205 | 10,141 | | 3,285 | |
| Aspen Grove Business Ctr II | Industrial | - | 1,151 | 6,414 | 767 | 1,151 | 7,181 | 8,332 | | 1,959 | |
| Aspen Grove Business Ctr III | Industrial | - | 970 | 5,514 | 301 | 970 | 5,815 | 6,785 | | 1,622 | |
| Aspen Grove Business Center IV | Industrial | - | 492 | 2,249 | 35 | 492 | 2,284 | 2,776 | | 435 | |
| Aspen Grove Business Ctr V | Industrial | - | 943 | 5,172 | 2,539 | 943 | 7,711 | 8,654 | | 2,293 | |
| Aspen Grove Flex Center II | Industrial | - | 240 | 1,222 | 390 | 240 | 1,612 | 1,852 | | 193 | |
| Aspen Grove Office Center I | Office | - | 950 | 5,967 | 2,564 | 950 | 8,531 | 9,481 | | 2,410 | |
| Aspen Grove Flex Center I | Industrial | - | 301 | 1,142 | 639 | 301 | 1,781 | 2,082 | | 501 | |
| Aspen Grove Flex Center III | Industrial | - | 327 | 1,201 | 861 | 327 | 2,062 | 2,389 | | 625 | |
| Aspen Grove Flex Center IV | Industrial | - | 205 | 861 | 205 | 205 | 1,066 | 1,271 | | 235 | |
| Aspen Corporate Center 100 | Office | - | 723 | 3,275 | 94 | 723 | 3,369 | 4,092 | | 1,064 | |
| Aspen Corporate Center 200 | Office | - | 1,306 | 1,870 | 1,655 | 1,306 | 3,525 | 4,831 | | 914 | |
| Aspen Corporate Center 300 | Office | - | 1,451 | 2,050 | 1,466 | 1,460 | 3,507 | 4,967 | | 143 | |
| Aspen Corporate Center 400 | Office | - | 1,833 | 2,621 | 2,460 | 1,833 | 5,081 | 6,914 | | 720 | |
| Aspen Grove Office Center II | Office | - | 2,320 | 8,177 | 3,739 | 2,320 | 11,916 | 14,236 | | 2,096 | |
| Brentwood South Bus Ctr IV | Industrial | - | 569 | 2,435 | 1,109 | 705 | 3,408 | 4,113 | | 1,059 | |
| Brentwood South Bus Ctr V | Industrial | - | 445 | 1,932 | 129 | 445 | 2,061 | 2,506 | | 577 | |
| Brentwood South Bus Ctr VI | Industrial | 1,293 | 489 | 1,240 | 610 | 489 | 1,850 | 2,339 | | 549 | |

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ILLINOIS

| | | | | | | | | | | |
|--------|-------------------------|------------|---|-------|-------|-------|-------|--------|--------|-------|
| Center | O Hare Distribution Ctr | Industrial | - | 3,900 | 3,013 | 1,022 | 3,900 | 4,035 | 7,935 | 306 |
| | Duke Bridges III | Office | - | 4,647 | 7,546 | 4,427 | 4,647 | 11,973 | 16,620 | 1,432 |

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Table of Contents

| Location | | Building Name | Type | Encumbrances | Initial Cost | | Cost Capitalized | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Con |
|----------|--|--------------------------------|----------------|--------------|--------------|-----------|--|---------------------------|----------|----------|------------------------------|-----|
| State | | | | | Land | Buildings | Subsequent to Development or Acquisition | Land/Land Imp | Bldgs/TI | Total(1) | | |
| INDIANA | | Parkview Ambulatory Svcs-MOB | Medical Office | - | 937 | 10,661 | 4,377 | 937 | 15,038 | 15,975 | 1,036 | |
| GEORGIA | | Aviation Court Land | Grounds | - | 1,509 | - | - | 1,509 | - | 1,509 | 75 | |
| ZONA | | Goodyear One | Industrial | - | 5,142 | 4,942 | 902 | 5,142 | 5,844 | 10,986 | 613 | |
| TEXAS | | Grand Lakes I | Industrial | - | 8,106 | 13,069 | 310 | 8,040 | 13,445 | 21,485 | 3,324 | |
| | | Grand Lakes II | Industrial | - | 11,853 | 16,714 | 8,033 | 11,853 | 24,747 | 36,600 | 2,436 | |
| IO | | 6600 Port Road | Industrial | - | 2,725 | 23,104 | 1,833 | 3,213 | 24,449 | 27,662 | 8,281 | |
| e Center | | Groveport Commerce Center #437 | Industrial | 3,126 | 1,049 | 6,759 | 1,244 | 1,065 | 7,987 | 9,052 | 2,232 | |
| e Center | | Groveport Commerce Center #168 | Industrial | 1,686 | 510 | 3,170 | 1,193 | 510 | 4,363 | 4,873 | 1,257 | |
| e Center | | Groveport Commerce Center #345 | Industrial | 3,020 | 1,045 | 6,152 | 942 | 1,045 | 7,094 | 8,139 | 2,019 | |
| e Center | | Groveport Commerce Center #667 | Industrial | 6,544 | 4,420 | 14,172 | 360 | 4,420 | 14,532 | 18,952 | 3,900 | |
| MISSOURI | | Lindbergh Distribution Center | Industrial | - | 8,200 | 10,305 | 3,376 | 8,490 | 13,391 | 21,881 | 1,417 | |
| CKY | | Southpark Building 4 | Industrial | - | 779 | 3,189 | 308 | 779 | 3,497 | 4,276 | 1,449 | |
| | | CR Services | Industrial | - | 1,085 | 4,128 | 1,409 | 1,085 | 5,537 | 6,622 | 2,201 | |
| ark | | Hebron Building 1 | Industrial | - | 8,855 | 11,527 | 227 | 8,855 | 11,754 | 20,609 | 2,651 | |
| ark | | Hebron Building 2 | Industrial | - | 6,790 | 9,039 | 1,542 | 6,808 | 10,563 | 17,371 | 1,106 | |
| ESOTA | | Cornerstone Business Center | Industrial | 3,828 | 1,469 | 8,390 | 497 | 1,543 | 8,813 | 10,356 | 2,897 | |
| S | | Sam Houston Crossing One | Office | - | 4,016 | 8,535 | 7,527 | 4,052 | 16,026 | 20,078 | 1,633 | |
| ark | | Point North One | Industrial | - | 3,125 | 3,420 | 1,650 | 3,125 | 5,070 | 8,195 | 490 | |
| ark | | Westland I | Industrial | - | 4,183 | 5,200 | 2,919 | 4,233 | 8,069 | 12,302 | 995 | |
| S | | Duke Intermodal I | Industrial | - | 5,290 | 9,242 | 1,091 | 5,290 | 10,333 | 15,623 | 1,435 | |
| OHIO | | Corporate Plaza I | Office | - | 2,116 | 14,066 | (1,925) | 2,116 | 12,141 | 14,257 | 6,462 | |
| | | Corporate Plaza II | Office | - | 1,841 | 11,778 | 327 | 1,841 | 12,105 | 13,946 | 5,455 | |
| | | Freedom Square I | Office | - | 595 | 3,725 | (1,626) | 600 | 2,094 | 2,694 | 1,767 | |
| | | Freedom Square II | Office | - | 1,746 | 11,423 | (1,859) | 1,746 | 9,564 | 11,310 | 4,912 | |
| | | Freedom Square III | Office | - | 701 | 5,583 | (1,199) | 701 | 4,384 | 5,085 | 2,040 | |
| | | Oak Tree Place | Office | - | 703 | 4,555 | 905 | 703 | 5,460 | 6,163 | 1,902 | |
| | | Park Center Plaza I | Office | - | 2,193 | 11,070 | 1,679 | 2,193 | 12,749 | 14,942 | 4,100 | |
| | | Park Center Plaza II | Office | - | 2,190 | 10,898 | 1,715 | 2,190 | 12,613 | 14,803 | 3,538 | |
| | | Park Center Plaza III | Office | - | 2,190 | 10,686 | 2,862 | 2,190 | 13,548 | 15,738 | 4,079 | |
| NDIANA | | Park 465 | Industrial | - | 124 | 759 | 164 | 124 | 923 | 1,047 | 116 | |
| ess Park | | Franklin Road Business Center | Industrial | - | 594 | 8,765 | 1,726 | 594 | 10,491 | 11,085 | 4,217 | |
| | | 6061 Guion Rd | Industrial | - | 274 | 1,770 | 351 | 274 | 2,121 | 2,395 | 781 | |
| | | Hillsdale Technecenter 4 | Industrial | - | 366 | 4,819 | 1,603 | 366 | 6,422 | 6,788 | 2,671 | |

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| | | | | | | | | | | |
|-----------|--------------------------------|----------------|---|-------|-------|-------|-------|-------|--------|-------|
| | Hillsdale Technecenter 5 | Industrial | - | 251 | 2,865 | 1,167 | 251 | 4,032 | 4,283 | 1,657 |
| | Hillsdale Technecenter 6 | Industrial | - | 315 | 2,962 | 2,312 | 315 | 5,274 | 5,589 | 2,141 |
| | One North Capitol | Office | - | 1,439 | 8,919 | 1,001 | 1,439 | 9,920 | 11,359 | 3,451 |
| Road | 8071 Township Line Road | Medical Office | - | - | 2,319 | 939 | - | 3,258 | 3,258 | 249 |
| Township | Franklin Township POB | Medical Office | - | - | 3,197 | - | - | 3,197 | 3,197 | 102 |
| Southport | St. Francis US31 &Southport Rd | Medical Office | - | - | 3,547 | - | - | 3,547 | 3,547 | 101 |

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Realty Corporation
 State and Accumulated Depreciation
 as of December 31, 2009
 (in thousands)

Schedule III

| Segment | Building Name | Type | Encumbrances | Initial Cost | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Year Constructed/ Renovated |
|----------|------------------------------|------------|--------------|--------------|-----------|---|---------------------------|----------|----------|------------------------------|-----------------------------|
| | | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | |
| | Park 100 Bldg 31 | Industrial | - | 64 | 362 | 137 | 64 | 499 | 563 | 64 | 1978 |
| | Park 100 Building 96 | Industrial | - | 1,414 | 13,804 | 113 | 1,667 | 13,664 | 15,331 | 5,451 | 1997 |
| | Park 100 Building 98 | Industrial | - | 273 | 7,651 | 2,365 | 273 | 10,016 | 10,289 | 4,340 | 1995 |
| | Park 100 Building 100 | Industrial | - | 103 | 2,033 | 823 | 103 | 2,856 | 2,959 | 1,123 | 1995 |
| | Park 100 Building 102 | Office | - | 182 | 1,118 | 346 | 182 | 1,464 | 1,646 | 210 | 1982 |
| | Park 100 Building 107 | Industrial | - | 99 | 1,698 | 379 | 99 | 2,077 | 2,176 | 840 | 1984 |
| | Park 100 Building 109 | Industrial | - | 240 | 1,677 | 408 | 246 | 2,079 | 2,325 | 1,208 | 1985 |
| | Park 100 Building 116 | Office | - | 341 | 2,871 | 561 | 348 | 3,425 | 3,773 | 1,731 | 1988 |
| | Park 100 Building 118 | Office | - | 226 | 2,105 | 939 | 230 | 3,040 | 3,270 | 1,304 | 1988 |
| | Park 100 Building 119 | Office | - | 283 | 3,650 | 1,571 | 395 | 5,109 | 5,504 | 2,623 | 1989 |
| | Park 100 Building 122 | Industrial | - | 284 | 3,574 | 1,043 | 290 | 4,611 | 4,901 | 2,122 | 1990 |
| | Park 100 Building 124 | Office | - | 227 | 2,496 | 444 | 227 | 2,940 | 3,167 | 677 | 1992 |
| | Park 100 Building 127 | Industrial | - | 96 | 1,654 | 465 | 96 | 2,119 | 2,215 | 859 | 1995 |
| | Park 100 Building 141 | Industrial | - | 1,120 | 3,305 | 101 | 1,120 | 3,406 | 4,526 | 970 | 2005 |
| | UPS Parking Bldg 111 | Grounds | - | 270 | - | - | 270 | - | 270 | 112 | n/a |
| | Parking Lot Becton | Grounds | - | 114 | - | - | 114 | - | 114 | - | n/a |
| | Dickinson Lot | Grounds | - | - | - | - | - | - | - | - | n/a |
| | 3.58 acres on Allison Avenue | Grounds | - | 242 | - | - | 242 | - | 242 | 51 | n/a |
| | Hewlett-Packard Land Lease | Grounds | - | 252 | - | - | 252 | - | 252 | 41 | n/a |
| | Park 100 Bldg 121 Land Lease | Grounds | - | 5 | - | - | 5 | - | 5 | 1 | n/a |
| | Hewlett Packard Land Lse-62 | Grounds | - | 45 | - | - | 45 | - | 45 | 7 | n/a |
| | West 79th St. Parking Lot LL | Grounds | - | 350 | - | 699 | 1,049 | - | 1,049 | 126 | n/a |
| Fletcher | Park Fletcher Building 33 | Industrial | - | 1,237 | 5,264 | 17 | 1,237 | 5,281 | 6,518 | 767 | 1997 |
| Fletcher | Park Fletcher Building 34 | Industrial | - | 1,331 | 5,442 | 204 | 1,331 | 5,646 | 6,977 | 840 | 1997 |
| Fletcher | Park Fletcher Building 35 | Industrial | - | 380 | 1,464 | 38 | 380 | 1,502 | 1,882 | 249 | 1997 |
| Fletcher | Park Fletcher Building 36 | Industrial | - | 476 | 2,355 | 58 | 476 | 2,413 | 2,889 | 341 | 1997 |
| Fletcher | Park Fletcher Building 37 | Industrial | - | 286 | 653 | 9 | 286 | 662 | 948 | 115 | 1998 |
| Fletcher | | Industrial | - | 1,428 | 5,957 | 68 | 1,428 | 6,025 | 7,453 | 827 | 1999 |

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| | | | | | | | | | | | | |
|-------------------------|-----------------------------|----------------|--------|-------|--------|-------|-------|--------|--------|-------|------|--|
| | Park Fletcher Building 38 | | | | | | | | | | | |
| letcher | Park Fletcher Building 39 | Industrial | - | 570 | 2,130 | 239 | 570 | 2,369 | 2,939 | 350 | 1999 | |
| letcher | Park Fletcher Building 40 | Industrial | - | 761 | 3,363 | 408 | 761 | 3,771 | 4,532 | 613 | 1999 | |
| letcher | Park Fletcher Building 41 | Industrial | - | 952 | 4,310 | 78 | 952 | 4,388 | 5,340 | 614 | 2001 | |
| letcher | Park Fletcher Building 42 | Industrial | - | 2,095 | 8,301 | 49 | 2,095 | 8,350 | 10,445 | 1,009 | 2001 | |
| ood Crossing | One Parkwood Crossing | Office | - | 1,018 | 9,464 | 1,392 | 1,028 | 10,846 | 11,874 | 3,991 | 1989 | |
| ood Crossing | Three Parkwood Crossing | Office | - | 1,377 | 8,392 | 979 | 1,387 | 9,361 | 10,748 | 3,807 | 1997 | |
| ood Crossing | Four Parkwood Crossing | Office | - | 1,489 | 11,077 | 751 | 1,537 | 11,780 | 13,317 | 3,925 | 1998 | |
| ood Crossing | Five Parkwood Crossing | Office | - | 1,485 | 10,392 | 1,018 | 1,528 | 11,367 | 12,895 | 2,843 | 1999 | |
| ood Crossing | Six Parkwood Crossing | Office | - | 1,960 | 16,050 | 1,115 | 1,960 | 17,165 | 19,125 | 6,322 | 2000 | |
| ood Crossing | Eight Parkwood Crossing | Office | - | 6,435 | 15,628 | 731 | 6,435 | 16,359 | 22,794 | 4,771 | 2003 | |
| ood Crossing | Nine Parkwood Crossing | Office | - | 6,046 | 15,991 | 1,151 | 6,047 | 17,141 | 23,188 | 4,033 | 2005 | |
| ood West | One West | Office | 14,976 | 5,361 | 16,182 | 4,608 | 5,361 | 20,790 | 26,151 | 1,664 | 2007 | |
| ood Crossing | PWW Granite City Lease | Grounds | - | 1,846 | 856 | - | 1,846 | 856 | 2,702 | 85 | 2008 | |
| oad - Indianapolis | River Road Building I | Office | - | 856 | 7,155 | 1,928 | 856 | 9,083 | 9,939 | 4,214 | 1998 | |
| oad - Indianapolis | River Road Building II | Office | - | 1,827 | 8,416 | 2,199 | 1,886 | 10,556 | 12,442 | 689 | 2008 | |
| and Corporate Park | Woodland Corporate Park I | Office | - | 290 | 3,422 | 928 | 320 | 4,320 | 4,640 | 1,363 | 1998 | |
| and Corporate Park | Woodland Corporate Park II | Office | - | 271 | 2,958 | 1,048 | 297 | 3,980 | 4,277 | 1,081 | 1999 | |
| and Corporate Park | Woodland Corporate Park III | Office | - | 1,227 | 4,128 | 358 | 1,227 | 4,486 | 5,713 | 1,594 | 2000 | |
| and Corporate Park | Woodland Corporate Park IV | Office | - | 715 | 7,231 | 534 | 715 | 7,765 | 8,480 | 3,180 | 2000 | |
| and Corporate Park | Woodland Corporate Park V | Office | - | 768 | 10,000 | 308 | 768 | 10,308 | 11,076 | 2,550 | 2003 | |
| and Corporate Park | Woodland Corporate Park VI | Office | - | 2,145 | 10,165 | 4,027 | 2,145 | 14,192 | 16,337 | 1,215 | 2008 | |
| TEXAS | | | | | | | | | | | | |
| Hays | Seton Hays MOB I | Medical Office | - | 165 | 11,751 | - | 165 | 11,751 | 11,916 | - | 2009 | |
| YETTE, INDIANA | | | | | | | | | | | | |
| abeth Regional Health | St. Elizabeth East MOB A | Medical Office | - | 165 | 8,973 | - | 165 | 8,973 | 9,138 | - | 2009 | |
| abeth Regional Health | St. Elizabeth East MOB B | Medical Office | - | 146 | 10,076 | - | 146 | 10,076 | 10,222 | - | 2009 | |
| FOREST, ILLINOIS | | | | | | | | | | | | |
| y Business Center | 13825 West Laurel Drive | Industrial | - | 750 | 1,401 | 906 | 750 | 2,307 | 3,057 | 914 | 1985 | |
| y Park | One Conway Park | Office | - | 1,901 | 16,968 | 3,105 | 1,901 | 20,073 | 21,974 | 6,254 | 1989 | |
| y Park | West Lake at Conway | Office | - | 4,218 | 10,461 | 1,685 | 4,227 | 12,137 | 16,364 | 792 | 2008 | |

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| Accumulated Depreciation | | | | | | | | | | | | Schedule |
|-------------------------------------|---------------|--------------|--------------|-----------|--|---------------------------|----------|----------|------------------------------|--------------|------|----------|
| | | | | | | | | | | | | 2009 |
| Name | Building Type | Encumbrances | Initial Cost | | Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Construction | Year | |
| | | | Land | Buildings | | Land/Land Imp | Bldgs/Tr | Total(1) | | | | |
| FLORIDA | | | | | | | | | | | | |
| Northpoint I | Office | - | 1,087 | 9,808 | 1,881 | 1,087 | 11,689 | 12,776 | 3,164 | | 199 | |
| Northpoint II | Office | - | 1,202 | 9,124 | 1,075 | 1,202 | 10,199 | 11,401 | 2,777 | | 199 | |
| Northpoint IV | Office | - | 1,605 | 8,157 | 4,742 | 1,605 | 12,899 | 14,504 | 3,828 | | 200 | |
| ATLANTA, GEORGIA | | | | | | | | | | | | |
| Huntcrest I | Office | - | 1,193 | 10,801 | 2,830 | 1,193 | 13,631 | 14,824 | 3,919 | | 200 | |
| Huntcrest II | Office | - | 927 | 9,452 | 1,267 | 927 | 10,719 | 11,646 | 2,334 | | 200 | |
| Huntcrest III | Office | - | 1,358 | 12,716 | 644 | 1,358 | 13,360 | 14,718 | 3,803 | | 200 | |
| Huntcrest IV | Office | - | 1,295 | 5,742 | 490 | 1,306 | 6,221 | 7,527 | 1,224 | | 200 | |
| Weyerhaeuser BTS | Industrial | 9,208 | 3,974 | 3,101 | 22 | 3,982 | 3,115 | 7,097 | 1,299 | | 200 | |
| INDIANA | | | | | | | | | | | | |
| Lebanon Building 4 | Industrial | 11,506 | 305 | 9,012 | 236 | 305 | 9,248 | 9,553 | 2,799 | | 200 | |
| Lebanon Building 9 | Industrial | 10,276 | 554 | 6,871 | 770 | 554 | 7,641 | 8,195 | 2,273 | | 199 | |
| Lebanon Building 12 | Industrial | 23,963 | 5,163 | 12,851 | 394 | 5,163 | 13,245 | 18,408 | 4,108 | | 200 | |
| Lebanon Building 13 | Industrial | 9,154 | 561 | 6,473 | 83 | 1,901 | 5,216 | 7,117 | 1,888 | | 200 | |
| Lebanon Building 14 | Industrial | 19,633 | 2,813 | 12,056 | 874 | 2,813 | 12,930 | 15,743 | 2,604 | | 200 | |
| TENNESSEE | | | | | | | | | | | | |
| Pk 840 Logistics Cnt. Bldg 653 | Industrial | - | 6,776 | 11,125 | 1,360 | 6,776 | 12,485 | 19,261 | 2,053 | | 200 | |
| MISSOURI | | | | | | | | | | | | |
| 2275 Cabot Drive | Office | 6,515 | 3,355 | 7,008 | 15 | 3,355 | 7,023 | 10,378 | 1,437 | | 199 | |
| RIVERPORT HEIGHTS, MISSOURI | | | | | | | | | | | | |
| Riverport Tower | Office | - | 3,549 | 27,727 | 8,342 | 3,954 | 35,664 | 39,618 | 12,589 | | 199 | |
| Riverport Distribution | Industrial | - | 242 | 2,217 | 1,132 | 242 | 3,349 | 3,591 | 1,043 | | 199 | |
| Express Scripts Service Center | Industrial | - | 1,197 | 8,755 | 427 | 1,197 | 9,182 | 10,379 | 3,173 | | 199 | |
| 13900 Riverport Drive | Office | - | 2,285 | 9,473 | 628 | 2,285 | 10,101 | 12,386 | 3,109 | | 199 | |
| Riverport 1 | Industrial | - | 900 | 2,588 | 396 | 900 | 2,984 | 3,884 | 1,054 | | 199 | |
| Riverport 2 | Industrial | - | 1,238 | 4,161 | 103 | 1,238 | 4,264 | 5,502 | 1,399 | | 200 | |
| Riverport III | Industrial | - | 1,269 | 2,568 | 2,180 | 1,269 | 4,748 | 6,017 | 1,795 | | 200 | |
| Riverport IV | Industrial | - | 1,864 | 3,362 | 1,584 | 1,864 | 4,946 | 6,810 | 656 | | 200 | |
| DEERFIELD CROSSING, ILLINOIS | | | | | | | | | | | | |
| Deerfield Crossing A | Office | - | 1,493 | 11,416 | 1,426 | 1,493 | 12,842 | 14,335 | 3,713 | | 199 | |
| Deerfield Crossing B | Office | - | 1,069 | 13,244 | 535 | 1,069 | 13,779 | 14,848 | 5,466 | | 200 | |
| GVERNOR'S POINTE, ILLINOIS | | | | | | | | | | | | |
| Governor's Pointe 4770 | Office | - | 586 | 7,664 | 945 | 596 | 8,599 | 9,195 | 4,529 | | 198 | |
| Governor's Pointe 4705 | Office | - | 719 | 6,058 | 3,847 | 987 | 9,637 | 10,624 | 4,301 | | 198 | |
| Governor's Pointe 4605 | Office | - | 630 | 17,504 | 4,267 | 909 | 21,492 | 22,401 | 9,227 | | 199 | |
| Governor's Pointe 4660 | Office | - | 385 | 4,119 | 396 | 529 | 4,371 | 4,900 | 1,599 | | 199 | |
| Governor's Pointe 4680 | Office | - | 1,115 | 6,520 | 1,076 | 1,115 | 7,596 | 8,711 | 2,683 | | 199 | |
| Biggs Supercenter | Retail | - | 2,107 | 9,927 | 430 | 4,227 | 8,237 | 12,464 | 4,225 | | 199 | |
| Lowe's | Retail | - | 3,750 | 6,465 | 760 | 3,750 | 7,225 | 10,975 | 3,997 | | 199 | |
| DECLARATION DRIVE, GEORGIA | | | | | | | | | | | | |
| 120 Declaration Drive | Industrial | - | 615 | 8,377 | 309 | 615 | 8,686 | 9,301 | 2,287 | | 199 | |
| 250 Declaration Drive | Industrial | 22,299 | 2,273 | 13,225 | 2,438 | 2,312 | 15,624 | 17,936 | 4,141 | | 200 | |
| RIVERPORT HEIGHTS, MINNESOTA | | | | | | | | | | | | |
| Enterprise Industrial Center | Industrial | 625 | 864 | 4,931 | 656 | 888 | 5,563 | 6,451 | 1,779 | | 197 | |
| INDIANA | | | | | | | | | | | | |

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| | | | | | | | | | | | |
|-----------|--------------------------------|----------------|---|--------|--------|-------|--------|--------|--------|-------|-----|
| Lakes MOB | SJRCM Edison Lakes MOB | Medical Office | - | - | 31,976 | - | - | 31,976 | 31,976 | 279 | 200 |
| Center | Monroe Business Center Bldg. 1 | Industrial | - | 660 | 5,081 | 1,081 | 660 | 6,162 | 6,822 | 1,991 | 199 |
| age | Shoppes at Montage | Retail | - | 21,347 | 39,247 | - | 21,347 | 39,247 | 60,594 | 3,176 | 200 |

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on
ulated Depreciation

| Name | Building Type | Encumbrances | Initial Cost | | Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | |
|--------------------------------|-------------------------------|----------------|--------------|-----------|--|---------------------------|----------|----------|------------------------------|-------|
| | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | |
| NC | | | | | | | | | | |
| 507 Airport Blvd | Industrial | - | 1,327 | 7,965 | 1,774 | 1,351 | 9,715 | 11,066 | 2,981 | |
| 5151 McCrimmon Pkwy | Office | - | 1,318 | 7,824 | 2,040 | 1,342 | 9,840 | 11,182 | 2,708 | |
| 2600 Perimeter Park Dr | Industrial | - | 975 | 5,204 | 1,143 | 991 | 6,331 | 7,322 | 1,729 | |
| 5150 McCrimmon Pkwy | Industrial | - | 1,739 | 12,130 | 1,446 | 1,773 | 13,542 | 15,315 | 3,596 | |
| 2400 Perimeter Park Dr. | Office | - | 760 | 5,512 | 1,314 | 778 | 6,808 | 7,586 | 1,845 | |
| 3000 Perimeter Park Dr (Met 1) | Industrial | 335 | 482 | 2,756 | 1,270 | 491 | 4,017 | 4,508 | 1,289 | |
| 2900 Perimeter Park Dr (Met 2) | Industrial | 251 | 235 | 1,942 | 1,214 | 264 | 3,127 | 3,391 | 936 | |
| 2800 Perimeter Park Dr (Met 3) | Industrial | 471 | 777 | 4,797 | 806 | 843 | 5,537 | 6,380 | 1,643 | |
| 1100 Perimeter Park Drive | Industrial | - | 777 | 5,690 | 1,134 | 794 | 6,807 | 7,601 | 1,921 | |
| 1400 Perimeter Park Drive | Office | - | 666 | 4,532 | 1,214 | 900 | 5,512 | 6,412 | 1,957 | |
| 1500 Perimeter Park Drive | Office | - | 1,148 | 10,086 | 801 | 1,177 | 10,858 | 12,035 | 2,778 | |
| 1600 Perimeter Park Drive | Office | - | 1,463 | 9,716 | 2,198 | 1,513 | 11,864 | 13,377 | 3,562 | |
| 1800 Perimeter Park Drive | Office | - | 907 | 5,545 | 1,313 | 993 | 6,772 | 7,765 | 2,036 | |
| 2000 Perimeter Park Drive | Office | - | 788 | 5,330 | 1,069 | 842 | 6,345 | 7,187 | 2,006 | |
| 1700 Perimeter Center West | Office | - | 1,230 | 10,754 | 2,779 | 1,260 | 13,503 | 14,763 | 4,098 | |
| 3900 N. Paramount Parkway | Office | - | 540 | 13,224 | 256 | 574 | 13,446 | 14,020 | 3,551 | |
| 3900 S. Paramount Pkwy | Office | - | 1,575 | 10,733 | 1,483 | 1,612 | 12,179 | 13,791 | 3,364 | |
| 5200 East Paramount | Office | - | 1,748 | 14,291 | 1,010 | 1,797 | 15,252 | 17,049 | 4,007 | |
| 3500 Paramount Pkwy | Office | - | 755 | 12,948 | 137 | 755 | 13,085 | 13,840 | 5,591 | |
| 2700 Perimeter Park | Industrial | - | 662 | 1,999 | 1,849 | 662 | 3,848 | 4,510 | 1,108 | |
| 5200 West Paramount | Office | - | 1,831 | 12,608 | 1,083 | 1,831 | 13,691 | 15,522 | 4,135 | |
| 2450 Perimeter Park | Office | - | 669 | 2,894 | 25 | 669 | 2,919 | 3,588 | 1,072 | |
| 3800 Paramount Parkway | Office | - | 2,657 | 7,329 | 3,216 | 2,657 | 10,545 | 13,202 | 2,261 | |
| Lenovo BTS I | Office | - | 1,439 | 16,961 | 1,509 | 1,439 | 18,470 | 19,909 | 2,718 | |
| Lenovo BTS II | Office | - | 1,725 | 16,809 | 1,989 | 1,725 | 18,798 | 20,523 | 2,451 | |
| Lenovo BTS III | Office | - | 1,661 | 14,086 | 357 | 1,661 | 14,443 | 16,104 | 758 | |
| 2250 Perimeter Park | Office | - | 2,290 | 6,981 | 2,351 | 2,290 | 9,332 | 11,622 | 833 | |
| Perimeter One | Office | - | 5,880 | 14,299 | 8,777 | 5,880 | 23,076 | 28,956 | 3,257 | |
| Market at Perimeter Park-Bld A | Retail | - | 1,149 | 1,708 | - | 1,149 | 1,708 | 2,857 | 43 | |
| 100 Innovation Avenue (Woodlk) | Industrial | - | 633 | 3,748 | 656 | 633 | 4,404 | 5,037 | 1,168 | |
| 101 Innovation Ave(Woodlk III) | Industrial | - | 615 | 4,095 | 148 | 615 | 4,243 | 4,858 | 1,199 | |
| 200 Innovation Drive | Industrial | - | 357 | 4,146 | 147 | 357 | 4,293 | 4,650 | 1,180 | |
| 501 Innovation Ave. | Industrial | - | 640 | 5,632 | 176 | 640 | 5,808 | 6,448 | 1,520 | |
| 1000 Innovation (Woodlk 6) | Industrial | - | 514 | 2,927 | 174 | 514 | 3,101 | 3,615 | 605 | |
| 1200 Innovation (Woodlk 7) | Industrial | - | 740 | 4,416 | 265 | 740 | 4,681 | 5,421 | 905 | |
| Woodlake VIII | Industrial | - | 908 | 1,517 | 339 | 908 | 1,856 | 2,764 | 696 | |
| TENNESSEE | | | | | | | | | | |
| MOB | Middle Tenn Med Ctr -MOB | Medical Office | - | - | 20,564 | 1,910 | 7 | 22,467 | 22,474 | 987 |
| MISSOURI | | | | | | | | | | |
| ous | 1835 Jefferson | Industrial | - | 3,180 | 7,959 | 5 | 3,184 | 7,960 | 11,144 | 1,514 |
| MISSISSIPPI | | | | | | | | | | |
| | Airpark East-800 Commerce Dr. | Industrial | 2,808 | 1,564 | 2,617 | 953 | 1,564 | 3,570 | 5,134 | 667 |
| | Three Lakeview | Office | - | 2,126 | 11,737 | 3,372 | 2,126 | 15,109 | 17,235 | 4,442 |
| | One Lakeview Place | Office | - | 2,046 | 10,857 | (3,363) | 2,123 | 7,417 | 9,540 | 3,814 |
| | Two Lakeview Place | Office | - | 2,046 | 11,442 | (3,457) | 2,046 | 7,985 | 10,031 | 4,159 |

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| | | | | | | | | | | |
|-----|------------------------------|------------|-------|-------|--------|---------|-------|--------|--------|-------|
| ter | Riverview Office Building | Office | - | 847 | 5,590 | 1,648 | 847 | 7,238 | 8,085 | 2,163 |
| er | Nashville Business Center I | Industrial | - | 936 | 5,943 | 1,217 | 936 | 7,160 | 8,096 | 1,808 |
| er | Nashville Business Center II | Industrial | - | 5,659 | 10,206 | 845 | 5,659 | 11,051 | 16,710 | 2,267 |
| | 6525 West Campus Oval | Office | - | 842 | 3,581 | 2,316 | 881 | 5,858 | 6,739 | 1,576 |
| | Howard 220 | Industrial | 9,465 | 4,920 | 3,400 | 9,303 | 7,761 | 9,862 | 17,623 | 1,404 |
| IA | 1835 Shackleford Court | Office | - | 29 | 5,613 | (1,708) | 29 | 3,905 | 3,934 | 1,822 |
| | 1854 Shackleford Court | Office | - | 52 | 9,664 | (3,240) | 52 | 6,424 | 6,476 | 3,070 |
| | 4275 Shackleford Road | Office | - | 8 | 1,856 | (10) | 12 | 1,842 | 1,854 | 731 |

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Corporation
and Accumulated Depreciation
2009
)

Schedule I

| Name | Building Type | Encumbrances | Initial Cost | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Year Constructed or Renovated | |
|-----------------------|--------------------------------|----------------|--------------|-----------|---|---------------------------|----------|----------|------------------------------|-------------------------------|----|
| | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | | |
| VIRGINIA | | | | | | | | | | | |
| Industrial Park | 1400 Sewells Point Road | Industrial | 2,680 | 1,463 | 5,723 | 500 | 1,463 | 6,223 | 7,686 | 428 | 19 |
| ILLINOIS | | | | | | | | | | | |
| Industrial Park | Northlake I | Industrial | 10,421 | 5,721 | 10,319 | 835 | 5,721 | 11,154 | 16,875 | 2,526 | 20 |
| Distribution Park | Northlake III-Grnd Whse | Industrial | 6,809 | 5,382 | 5,708 | 253 | 5,382 | 5,961 | 11,343 | 1,009 | 20 |
| MASTED, OHIO | | | | | | | | | | | |
| Corporate Ctr. | Great Northern Corp Center I | Office | - | 1,048 | 6,457 | 1,990 | 1,040 | 8,455 | 9,495 | 3,056 | 19 |
| Corporate Ctr. | Great Northern Corp Center II | Office | - | 1,048 | 6,709 | 2,419 | 1,048 | 9,128 | 10,176 | 3,307 | 19 |
| Corporate Ctr. | Great Northern Corp Center III | Office | - | 604 | 4,668 | 667 | 604 | 5,335 | 5,939 | 1,488 | 19 |
| ILK, ILLINOIS | | | | | | | | | | | |
| Office | 2000 York Road | Office | - | 2,625 | 15,825 | 377 | 2,625 | 16,202 | 18,827 | 9,616 | 19 |
| FLORIDA | | | | | | | | | | | |
| Southcenter | Southcenter I-Brede/Allied BTS | Industrial | - | 3,094 | 3,867 | - | 3,094 | 3,867 | 6,961 | 1,263 | 20 |
| Distribution Center | Parksouth Distribution Ctr. B | Industrial | - | 565 | 4,871 | 431 | 570 | 5,297 | 5,867 | 1,604 | 19 |
| Distribution Center | Parksouth Distribution Ctr. A | Industrial | - | 493 | 4,459 | 245 | 498 | 4,699 | 5,197 | 1,246 | 19 |
| Distribution Center | Parksouth Distribution Ctr. D | Industrial | - | 593 | 4,131 | 539 | 597 | 4,666 | 5,263 | 1,244 | 19 |
| Distribution Center | Parksouth Distribution Ctr. E | Industrial | - | 649 | 4,549 | 516 | 677 | 5,037 | 5,714 | 1,407 | 19 |
| Distribution Center | Parksouth Distribution Ctr. F | Industrial | - | 1,030 | 5,118 | 1,359 | 1,091 | 6,416 | 7,507 | 1,988 | 19 |
| Distribution Center | Parksouth Distribution Ctr. H | Industrial | - | 725 | 3,109 | 164 | 754 | 3,244 | 3,998 | 809 | 20 |
| Distribution Center | Parksouth Distribution Ctr. C | Industrial | - | 598 | 1,769 | 1,273 | 674 | 2,966 | 3,640 | 654 | 20 |
| Distribution Center | Parksouth-Benjamin Moore BTS | Industrial | - | 708 | 2,070 | 24 | 1,129 | 1,673 | 2,802 | 503 | 20 |
| Business Park | Crossroads VII | Industrial | - | 2,803 | 5,891 | 3,212 | 2,803 | 9,103 | 11,906 | 1,691 | 20 |
| Business Park | Crossroads VIII | Industrial | - | 2,701 | 4,817 | 1,423 | 2,701 | 6,240 | 8,941 | 661 | 20 |
| MINNESOTA | | | | | | | | | | | |
| Business Center | Gateway North 1 | Industrial | - | 2,243 | 3,959 | 1,246 | 2,287 | 5,161 | 7,448 | 523 | 20 |
| ILLINOIS | | | | | | | | | | | |
| Corporate Centre | O Hare Corporate Centre | Office | - | 1,476 | 8,490 | (802) | 1,476 | 7,688 | 9,164 | 1,709 | 19 |
| PINES, FLORIDA | | | | | | | | | | | |
| Res | Pembroke Gardens | Retail | - | 26,067 | 89,100 | 430 | 26,067 | 89,530 | 115,597 | 5,101 | 20 |
| ILLINOIS | | | | | | | | | | | |
| Field MOB I | Edward Plainfield MOB I | Medical Office | - | - | 9,483 | 1,265 | - | 10,748 | 10,748 | 1,781 | 20 |
| INDIANA | | | | | | | | | | | |

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| | | | | | | | | | | | |
|------------------------|-----------------------------|----------------|--------|-------|--------|-------|-------|--------|--------|-------|----|
| Business Park | Plainfield Building 1 | Industrial | 16,873 | 1,104 | 11,151 | 425 | 1,104 | 11,576 | 12,680 | 3,041 | 20 |
| Business Park | Plainfield Building 2 | Industrial | 17,439 | 1,387 | 9,213 | 3,094 | 2,868 | 10,826 | 13,694 | 4,092 | 20 |
| Business Park | Plainfield Building 3 | Industrial | 17,650 | 2,016 | 9,151 | 2,560 | 2,016 | 11,711 | 13,727 | 1,949 | 20 |
| Business Park | Plainfield Building 5 | Industrial | 12,994 | 2,726 | 7,284 | 210 | 2,726 | 7,494 | 10,220 | 1,919 | 20 |
| Business Park | Plainfield Building 8 | Industrial | 22,142 | 4,527 | 11,928 | 985 | 4,527 | 12,913 | 17,440 | 2,233 | 20 |
| KANSAS | | | | | | | | | | | |
| Tennyson Parkway | 5560 Tennyson Parkway | Office | - | 1,527 | 5,702 | 724 | 1,527 | 6,426 | 7,953 | 1,873 | 19 |
| Tennyson Parkway | 5556 Tennyson Parkway | Office | - | 1,181 | 9,654 | 808 | 1,181 | 10,462 | 11,643 | 2,540 | 19 |
| MOB | Baylor Plano MOB | Medical Office | - | 16 | 28,375 | - | 16 | 28,375 | 28,391 | 434 | 20 |
| MINNESOTA | | | | | | | | | | | |
| Indust Ctr | Medicine Lake Indus. Center | Industrial | 1,101 | 1,145 | 5,944 | 1,718 | 1,145 | 7,662 | 8,807 | 2,314 | 19 |
| TWORTH, GEORGIA | | | | | | | | | | | |
| | 318 Grange Road | Industrial | 2,329 | 957 | 4,231 | 1 | 957 | 4,232 | 5,189 | 471 | 20 |
| | 246 Grange Road | Industrial | 5,792 | 1,191 | 8,294 | 7 | 1,191 | 8,301 | 9,492 | 1,084 | 20 |
| (Savannah) | 100 Ocean Link | | | | | | | | | | |
| | Way-Godley Rd | Industrial | 10,404 | 2,306 | 13,389 | 72 | 2,336 | 13,431 | 15,767 | 1,558 | 20 |
| (Savannah) | 500 Expansion Blvd | Industrial | 4,410 | 649 | 6,282 | 2 | 649 | 6,284 | 6,933 | 356 | 20 |
| (Savannah) | 400 Expansion Blvd | Industrial | 9,963 | 1,636 | 14,506 | 9 | 1,636 | 14,515 | 16,151 | 740 | 20 |
| (Savannah) | 605 Expansion Blvd | Industrial | 5,871 | 1,615 | 7,456 | 4 | 1,615 | 7,460 | 9,075 | 395 | 20 |
| (Savannah) | 405 Expansion Blvd | Industrial | 2,182 | 535 | 3,543 | - | 535 | 3,543 | 4,078 | 114 | 20 |

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| Location | Name | Building Type | Encumbrances | Initial Cost | | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Consolidated |
|----------------|--------------------------------|----------------|--------------|--------------|-----------|---------|---|---------------------------|----------|----------|------------------------------|--------------|
| | | | | Land | Buildings | | | Land/Land Imp | Bldgs/TI | Total(1) | | |
| North Carolina | 600 Expansion Blvd | Industrial | 6,249 | 1,248 | 10,387 | - | 1,248 | 10,387 | 11,635 | 328 | | |
| North Carolina | 602 Expansion Blvd | Industrial | - | 1,840 | 12,181 | - | 1,840 | 12,181 | 14,021 | 148 | | |
| North Carolina | Brook Forest I | Office | - | 1,242 | 4,786 | 741 | 1,242 | 5,527 | 6,769 | 1,524 | | |
| North Carolina | Centerview 5540 | Office | - | 773 | 6,148 | 1,470 | 773 | 7,618 | 8,391 | 1,882 | | |
| North Carolina | Centerview 5565 | Office | - | 513 | 4,733 | 762 | 513 | 5,495 | 6,008 | 1,230 | | |
| North Carolina | Crabtree Overlook | Office | - | 2,164 | 17,629 | 147 | 2,164 | 17,776 | 19,940 | 5,134 | | |
| North Carolina | 801 Jones Franklin Rd | Office | - | 1,351 | 7,484 | 970 | 1,351 | 8,454 | 9,805 | 2,440 | | |
| North Carolina | 5520 Capital Ctr Dr (Intrch I) | Office | - | 842 | 3,824 | 725 | 842 | 4,549 | 5,391 | 1,180 | | |
| North Carolina | Walnut Creek Business Park #1 | Industrial | - | 419 | 2,084 | 591 | 442 | 2,652 | 3,094 | 740 | | |
| North Carolina | Walnut Creek Business Park #2 | Industrial | - | 456 | 3,143 | 292 | 487 | 3,404 | 3,891 | 1,237 | | |
| North Carolina | Walnut Creek Business Park #3 | Industrial | - | 679 | 3,296 | 1,251 | 719 | 4,507 | 5,226 | 998 | | |
| North Carolina | Walnut Creek IV | Industrial | - | 2,038 | 2,152 | 788 | 2,083 | 2,895 | 4,978 | 1,056 | | |
| North Carolina | Walnut Creek V | Industrial | - | 1,718 | 3,302 | 388 | 1,718 | 3,690 | 5,408 | 374 | | |
| Illinois | Park 55 Bldg. 1 | Industrial | 9,563 | 6,433 | 8,408 | 944 | 6,433 | 9,352 | 15,785 | 2,159 | | |
| Illinois | O Hare International Ctr I | Office | - | 7,700 | 32,695 | 1,358 | 7,700 | 34,053 | 41,753 | 11,588 | | |
| Illinois | O Hare International Ctr II | Office | - | 8,103 | 31,892 | 3,942 | 8,103 | 35,834 | 43,937 | 10,234 | | |
| Illinois | Riverway East | Office | 18,898 | 13,664 | 34,507 | 1,663 | 13,664 | 36,170 | 49,834 | 13,553 | | |
| Illinois | Riverway West | Office | 18,241 | 3,294 | 39,224 | 5,756 | 3,294 | 44,980 | 48,274 | 10,912 | | |
| Illinois | Riverway Central | Office | 30,347 | 4,229 | 68,293 | 6,313 | 4,229 | 74,606 | 78,835 | 16,246 | | |
| Illinois | Riverway Retail | Retail | - | 189 | - | 3 | 189 | 3 | 192 | 47 | | |
| Illinois | Riverway MW II (Ground Lease) | Grounds | - | 586 | - | - | 586 | - | 586 | - | | |
| Georgia | Center Pointe I and II | Medical Office | 36,770 | 9,697 | 28,755 | 13,093 | 9,697 | 41,848 | 51,545 | 9,506 | | |
| Georgia | 198 Gulfstream | Industrial | 5,398 | 549 | 3,805 | 11 | 549 | 3,816 | 4,365 | 393 | | |
| Georgia | 194 Gulfstream | Industrial | 683 | 412 | 2,514 | 15 | 412 | 2,529 | 2,941 | 267 | | |
| Georgia | 190 Gulfstream | Industrial | 1,643 | 689 | 4,916 | - | 689 | 4,916 | 5,605 | 705 | | |
| Georgia | 250 Grange Road | Industrial | 3,925 | 928 | 8,648 | 7 | 928 | 8,655 | 9,583 | 1,109 | | |
| Georgia | 248 Grange Road | Industrial | 1,673 | 664 | 3,496 | 8 | 664 | 3,504 | 4,168 | 454 | | |
| Georgia | 80 Coleman Blvd. | Industrial | 1,719 | 782 | 2,962 | - | 782 | 2,962 | 3,744 | 322 | | |
| Georgia | 163 Portside Court | Industrial | 21,249 | 8,433 | 8,366 | 20 | 8,433 | 8,386 | 16,819 | 1,904 | | |
| Georgia | 151 Portside Court | Industrial | 3,212 | 966 | 7,155 | 15 | 966 | 7,170 | 8,136 | 720 | | |
| Georgia | 175 Portside Court | Industrial | 12,956 | 4,300 | 15,696 | 28 | 4,300 | 15,724 | 20,024 | 2,329 | | |
| Georgia | 150 Portside Court | Industrial | 8,807 | 3,071 | 23,001 | 788 | 3,071 | 23,789 | 26,860 | 3,194 | | |
| Georgia | 235 Jimmy Deloach Parkway | Industrial | 3,210 | 1,074 | 8,442 | 37 | 1,074 | 8,479 | 9,553 | 1,080 | | |
| Georgia | 239 Jimmy Deloach Parkway | Industrial | 2,776 | 1,074 | 7,141 | 37 | 1,074 | 7,178 | 8,252 | 923 | | |
| Georgia | 246 Jimmy Deloach Parkway | Industrial | 3,520 | 992 | 5,383 | 14 | 992 | 5,397 | 6,389 | 703 | | |
| Georgia | 276 Jimmy Deloach Land | Grounds | - | 2,267 | - | - | 2,267 | - | 2,267 | 175 | | |
| Georgia | 200 Ocean Link Way | Industrial | 6,657 | 878 | 10,021 | 14 | 883 | 10,030 | 10,913 | 669 | | |
| Ohio | Rock Run North | Office | - | 837 | 5,312 | (2,202) | 960 | 2,987 | 3,947 | 2,252 | | |
| Ohio | Rock Run Center | Office | - | 1,046 | 6,573 | (2,955) | 1,169 | 3,495 | 4,664 | 2,805 | | |
| Ohio | Mosteller Distribution Ctr. I | Industrial | - | 1,275 | 5,282 | 3,550 | 1,275 | 8,832 | 10,107 | 3,526 | | |
| Ohio | Mosteller Distribution Ctr. II | Industrial | - | 828 | 4,060 | 1,598 | 828 | 5,658 | 6,486 | 2,319 | | |

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MINNESOTA

| | | | | | | | | | |
|---------------------------|---------|---|-------|--------|-------|-------|--------|--------|--------|
| 1600 Tower | Office | - | 2,321 | 27,159 | 6,583 | 2,516 | 33,547 | 36,063 | 8,825 |
| MoneyGram Tower | Office | - | 3,039 | 34,835 | 6,844 | 3,315 | 41,403 | 44,718 | 11,549 |
| Chilies Ground Lease | Grounds | - | 921 | - | 157 | 1,078 | - | 1,078 | 36 |
| Olive Garden Ground Lease | Grounds | - | 921 | - | 114 | 1,035 | - | 1,035 | 39 |

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Realty Corporation
 Estate and Accumulated Depreciation
 as of December 31, 2009
 (in thousands)

Schedule III

| Development | Name | Building Type | Encumbrances | Initial Cost | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Year Constructed/ Renovated | Year Acquired |
|----------------------|--------------------------------|---------------|--------------|--------------|-----------|---|---------------------------|----------|----------|------------------------------|-----------------------------|---------------|
| | | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total(1) | | | |
| MOUIS, MISSOURI | | | | | | | | | | | | |
| Lakeside Crossing | Lakeside Crossing Building One | Industrial | - | 596 | 2,078 | 540 | 480 | 2,734 | 3,214 | 1,253 | 2002 | 2002 |
| Lakeside Crossing | Lakeside Crossing Building II | Industrial | - | 783 | 1,964 | 20 | 782 | 1,985 | 2,767 | 885 | 2003 | 2003 |
| Lakeside Crossing | Lakeside Crossing Building III | Industrial | - | 1,905 | 3,986 | 384 | 1,623 | 4,652 | 6,275 | 1,233 | 2002 | 2002 |
| Lakeside Crossing | Lakeside Crossing V | Office | - | 750 | 1,130 | 17 | 750 | 1,147 | 1,897 | 299 | 2004 | 2004 |
| Lakeside Crossing | Lakeside Crossing Building VI | Industrial | - | 1,079 | 2,125 | 2,287 | 1,333 | 4,158 | 5,491 | 1,770 | 2002 | 2002 |
| Laumeier Office Park | Laumeier I | Office | - | 1,384 | 8,392 | 2,706 | 1,384 | 11,098 | 12,482 | 4,602 | 1987 | 1987 |
| Laumeier Office Park | Laumeier II | Office | - | 1,421 | 9,154 | 2,582 | 1,421 | 11,736 | 13,157 | 4,647 | 1988 | 1988 |
| Laumeier Office Park | Laumeier IV | Office | - | 1,029 | 6,661 | 1,483 | 1,029 | 8,144 | 9,173 | 2,691 | 1987 | 1987 |
| Maryville Center | 530 Maryville Centre | Office | - | 2,219 | 14,705 | 2,843 | 2,219 | 17,548 | 19,767 | 5,920 | 1990 | 1990 |
| Maryville Center | 550 Maryville Centre | Office | - | 1,996 | 12,447 | 2,302 | 1,996 | 14,749 | 16,745 | 4,972 | 1988 | 1988 |
| Maryville Center | 635-645 Maryville Centre | Office | - | 3,048 | 17,497 | 2,731 | 3,048 | 20,228 | 23,276 | 6,534 | 1987 | 1987 |
| Maryville Center | 655 Maryville Centre | Office | - | 1,860 | 13,079 | 2,319 | 1,860 | 15,398 | 17,258 | 4,763 | 1994 | 1994 |
| Maryville Center | 540 Maryville Centre | Office | - | 2,219 | 14,223 | 2,270 | 2,219 | 16,493 | 18,712 | 5,690 | 1990 | 1990 |
| Maryville Center | 520 Maryville Centre | Office | - | 2,404 | 14,153 | 1,395 | 2,404 | 15,548 | 17,952 | 4,506 | 1999 | 1999 |
| Maryville Center | 533 Maryville Centre | Office | - | 3,230 | 16,686 | 305 | 3,230 | 16,991 | 20,221 | 5,576 | 2000 | 2000 |
| Maryville Center | 555 Maryville Centre | Office | - | 3,226 | 15,141 | 1,998 | 3,226 | 17,139 | 20,365 | 4,738 | 2001 | 2001 |
| Maryville Center | 625 Maryville Centre | Office | - | 2,509 | 11,035 | 538 | 2,509 | 11,573 | 14,082 | 3,034 | 1996 | 1996 |
| Westport Place | Westport Center I | Industrial | - | 1,707 | 5,040 | 920 | 1,707 | 5,960 | 7,667 | 2,331 | 1998 | 1998 |
| Westport Place | Westport Center II | Industrial | - | 914 | 1,924 | 417 | 914 | 2,341 | 3,255 | 853 | 1998 | 1998 |
| Westport Place | Westport Center III | Industrial | - | 1,206 | 2,651 | 551 | 1,206 | 3,202 | 4,408 | 1,118 | 1999 | 1999 |
| Westport Place | Westport Center IV | Industrial | - | 1,440 | 4,860 | 73 | 1,440 | 4,933 | 6,373 | 1,447 | 2000 | 2000 |

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| | | | | | | | | | | | | |
|-----------------------------|--------------------------------|------------|--------|--------|--------|-------|--------|--------|--------|-------|------|----|
| Port Place | Westport Center V | Industrial | - | 493 | 1,274 | 67 | 493 | 1,341 | 1,834 | 408 | 2000 | 20 |
| Port Place | Westport Place | Office | - | 1,990 | 5,478 | 2,138 | 1,990 | 7,616 | 9,606 | 2,679 | 2000 | 20 |
| mark | Westmark | Office | - | 1,497 | 9,553 | 2,497 | 1,684 | 11,863 | 13,547 | 4,976 | 1987 | 19 |
| view Place | Westview Place | Office | - | 669 | 7,803 | 3,853 | 669 | 11,656 | 12,325 | 4,666 | 1988 | 19 |
| Woodsmill Commons | Woodsmill Commons II (400) | Office | - | 1,718 | 7,684 | 817 | 1,718 | 8,501 | 10,219 | 1,822 | 1985 | 20 |
| Woodsmill Commons | Woodsmill Commons I (424) | Office | - | 1,836 | 7,665 | 1,141 | 1,836 | 8,806 | 10,642 | 2,179 | 1985 | 20 |
| STAFFORD, TEXAS | | | | | | | | | | | | |
| Stafford | Stafford Distribution Center | Industrial | - | 3,502 | 5,433 | 2,362 | 3,502 | 7,795 | 11,297 | 727 | 2008 | 20 |
| STAFFORD, VIRGINIA | | | | | | | | | | | | |
| Dulles Centre | 22800 Davis Drive | Office | - | 2,550 | 11,250 | 38 | 2,550 | 11,288 | 13,838 | 1,261 | 1989 | 20 |
| Dulles Centre | 22714 Glenn Drive | Industrial | - | 3,973 | 4,422 | 1,015 | 3,973 | 5,437 | 9,410 | 667 | 2007 | 20 |
| STAFFORD, VIRGINIA | | | | | | | | | | | | |
| Gate Commerce Park | 101 Industrial Drive, Bldg. A | Industrial | - | 1,558 | 8,230 | - | 1,558 | 8,230 | 9,788 | 482 | 2007 | 20 |
| Gate Commerce Park | 103 Industrial Drive | Industrial | - | 1,558 | 8,230 | - | 1,558 | 8,230 | 9,788 | 482 | 2007 | 20 |
| STAFFORD, WASHINGTON | | | | | | | | | | | | |
| pplicable | Sumner Transit | Industrial | 17,676 | 16,032 | 5,935 | 87 | 16,032 | 6,022 | 22,054 | 876 | 2005 | 20 |
| STAFFORD, FLORIDA | | | | | | | | | | | | |
| Grass Pointe | Sawgrass - Building B | Office | - | 1,211 | 5,176 | 1,380 | 1,211 | 6,556 | 7,767 | 2,136 | 1999 | 20 |
| Grass Pointe | Sawgrass - Building A | Office | - | 1,147 | 3,894 | 95 | 1,147 | 3,989 | 5,136 | 924 | 2000 | 20 |
| Grass Pointe | Sawgrass Pointe I | Office | - | 3,484 | 21,362 | 8,260 | 3,484 | 29,622 | 33,106 | 7,908 | 2002 | 20 |
| Grass Pointe | Sawgrass Pointe II | Office | - | 3,481 | 11,973 | - | 3,481 | 11,973 | 15,454 | 700 | 2009 | 20 |
| STAFFORD, FLORIDA | | | | | | | | | | | | |
| Field Distribution Center | Fairfield Distribution Ctr I | Industrial | - | 483 | 2,621 | 124 | 487 | 2,741 | 3,228 | 750 | 1998 | 19 |
| Field Distribution Center | Fairfield Distribution Ctr II | Industrial | - | 530 | 4,900 | 124 | 534 | 5,020 | 5,554 | 1,345 | 1998 | 19 |
| Field Distribution Center | Fairfield Distribution Ctr III | Industrial | - | 334 | 2,745 | 99 | 338 | 2,840 | 3,178 | 738 | 1999 | 19 |
| Field Distribution Center | Fairfield Distribution Ctr IV | Industrial | - | 600 | 1,836 | 1,267 | 604 | 3,099 | 3,703 | 941 | 1999 | 19 |
| Field Distribution Center | Fairfield Distribution Ctr V | Industrial | - | 488 | 2,635 | 268 | 488 | 2,903 | 3,391 | 704 | 2000 | 20 |
| Field Distribution Center | Fairfield Distribution Ctr VI | Industrial | - | 555 | 3,762 | 666 | 555 | 4,428 | 4,983 | 1,011 | 2001 | 20 |
| Field Distribution Center | Fairfield Distribution Ctr VII | Industrial | - | 394 | 2,137 | 779 | 394 | 2,916 | 3,310 | 831 | 2001 | 20 |
| Field Distribution Center | Fairfield VIII | Industrial | - | 1,082 | 3,326 | - | 1,082 | 3,326 | 4,408 | 1,630 | 2004 | 20 |

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| | | | | | | | | | | | | |
|-----------------------|-------------------------------------|------------|---|-------|-------|-------|-------|-------|-------|-------|------|----|
| Creek Business Center | Eagle Creek Business Ctr. I | Industrial | - | 3,705 | 3,187 | 1,033 | 3,705 | 4,220 | 7,925 | 1,182 | 2006 | 20 |
| Creek Business Center | Eagle Creek Business Ctr. II | Industrial | - | 2,354 | 2,272 | 969 | 2,354 | 3,241 | 5,595 | 718 | 2007 | 20 |
| Creek Business Center | Eagle Creek Business Ctr. III | Industrial | - | 2,332 | 2,237 | 1,424 | 2,332 | 3,661 | 5,993 | 559 | 2007 | 20 |

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ation
Accumulated Depreciation

Sch

| Name | Building Type | Encumbrances | Initial Cost | | | Cost Capitalized | Gross Book Value 12/31/09 | | | Accumulated Depreciation (2) | Com |
|--|----------------|--------------|--------------|-----------|--|--|---------------------------|-----------|-----------|------------------------------|-----|
| | | | Land | Buildings | | Subsequent to Development or Acquisition | Land/Land Imp | Bldgs/TI | Total(1) | | |
| Highland Oaks I | Office | - | 1,525 | 11,970 | | 1,207 | 1,525 | 13,177 | 14,702 | 3,562 | |
| Highland Oaks II | Office | - | 1,605 | 10,845 | | 3,847 | 1,605 | 14,692 | 16,297 | 5,026 | |
| Highland Oaks III | Office | - | 2,882 | 8,871 | | 689 | 2,522 | 9,920 | 12,442 | 1,491 | |
| Highland Oaks IV | Office | - | 3,068 | 9,962 | | 2,947 | 3,068 | 12,909 | 15,977 | 596 | |
| Highland Oaks V | Office | - | 2,412 | 6,524 | | 3,421 | 2,412 | 9,945 | 12,357 | 1,690 | |
| FLORIDA | | | | | | | | | | | |
| Crossroads Marketplace | Retail | - | 12,678 | 4,451 | | (3,089) | 11,922 | 2,118 | 14,040 | 1,730 | |
| OHIO | | | | | | | | | | | |
| Centre Pointe I | Office | - | 2,501 | 7,607 | | 480 | 2,501 | 8,087 | 10,588 | 1,464 | |
| Centre Pointe II | Office | - | 2,056 | 8,238 | | 286 | 2,056 | 8,524 | 10,580 | 1,478 | |
| Centre Pointe III | Office | - | 2,048 | 8,130 | | 1,246 | 2,048 | 9,376 | 11,424 | 1,758 | |
| Centre Pointe IV | Office | - | 2,013 | 9,017 | | 1,540 | 2,932 | 9,638 | 12,570 | 2,077 | |
| Centre Pointe VI | Office | - | 2,759 | 8,254 | | 2,774 | 2,759 | 11,028 | 13,787 | 904 | |
| World Park at Union Centre 10 | Industrial | - | 2,150 | 5,503 | | 7,394 | 2,151 | 12,896 | 15,047 | 2,336 | |
| World Park at Union Centre 11 | Industrial | - | 2,592 | 6,936 | | 13 | 2,592 | 6,949 | 9,541 | 1,998 | |
| Union Centre Industrial Park 2 | Industrial | - | 5,635 | 8,709 | | 776 | 5,635 | 9,485 | 15,120 | 766 | |
| INDIAN OHIO | | | | | | | | | | | |
| Restoration Hardware BTS | Industrial | - | 6,454 | 24,812 | | 2,448 | 6,510 | 27,204 | 33,714 | 1,779 | |
| ILLINOIS | | | | | | | | | | | |
| Oakmont Tech Center | Office | - | 1,501 | 8,590 | | 2,518 | 1,703 | 10,906 | 12,609 | 3,635 | |
| INDIANA | | | | | | | | | | | |
| Marketplace at Anson | Retail | - | 2,147 | 2,727 | | 2,070 | 2,147 | 4,797 | 6,944 | 475 | |
| Anson Medical Office Bldg. I | Medical Office | - | 1,354 | 7,651 | | 106 | 1,354 | 7,757 | 9,111 | 83 | |
| Accum. Depr. on Improvements of Undeveloped Land | | | | | | | | | | 4,737 | |
| Eliminations | | | | | | (819) | (15) | (804) | (819) | (2,316) | |
| | | 822,567 | 1,069,103 | 4,612,858 | | 708,158 | 1,106,016 | 5,284,103 | 6,390,119 | 1,311,733 | |

- (1) The tax basis (in thousands) of our real estate assets at 12/31/09 was approximately \$6,476,348 for federal income tax purposes.
- (2) Depreciation of real estate is computed using the straight-line method over 40 years for buildings, 15 years for land improvements and shorter periods based on lease terms (generally 3 to 10 years) for tenant improvements.

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| | Real Estate Assets | | | Accumulated Depreciation | | |
|---|--------------------|--------------|--------------|--------------------------|--------------|------------|
| | 2009 | 2008 | 2007 | 2009 | 2008 | 2007 |
| Balance at beginning of year | \$ 6,297,922 | \$ 5,765,747 | \$ 5,583,188 | \$ 1,167,113 | \$ 990,280 | \$ 900,898 |
| Acquisitions | 29,726 | 56,304 | 140,113 | - | - | - |
| Construction costs and tenant improvements | 307,157 | 812,084 | 788,951 | - | - | - |
| Depreciation expense | - | - | - | 266,803 | 246,440 | 214,477 |
| Consolidation of previously unconsolidated properties | 176,038 | 85,201 | 53,959 | - | - | - |
| | 6,810,843 | 6,719,336 | 6,566,211 | 1,433,916 | 1,236,720 | 1,115,375 |
| Deductions during year: | | | | | | |
| Cost of real estate sold or contributed | (258,854) | (367,922) | (726,860) | (32,087) | (16,115) | (51,491) |
| Impairment Allowance | (71,774) | - | - | - | - | - |
| Write-off of fully amortized assets | (90,096) | (53,492) | (73,604) | (90,096) | (53,492) | (73,604) |
| Balance at end of year | \$ 6,390,119 | \$ 6,297,922 | \$ 5,765,747 | \$ 1,311,733 | \$ 1,167,113 | \$ 990,280 |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DUKE REALTY CORPORATION

February 26, 2010

By: /s/ Dennis D. Oklak
Dennis D. Oklak
Chairman and Chief Executive Officer

By: /s/ Christie B. Kelly
Christie B. Kelly
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Date | Title |
|---|----------------|----------|
| /s/ Thomas J. Baltimore, Jr.* Thomas J. Baltimore, Jr. | <u>1/27/10</u> | Director |
| /s/ Barrington H. Branch* Barrington H. Branch | <u>1/27/10</u> | Director |
| /s/ Geoffrey Button * Geoffrey Button | <u>1/27/10</u> | Director |
| /s/ William Cavanaugh III* William Cavanaugh III | <u>1/27/10</u> | Director |
| /s/ Ngaire E. Cuneo * Ngaire E. Cuneo | <u>1/27/10</u> | Director |
| /s/ Charles R. Eitel* Charles R. Eitel | <u>1/27/10</u> | Director |
| /s/ Dr. Martin C. Jischke* Dr. Martin C. Jischke | <u>1/27/10</u> | Director |
| /s/ L. Ben Lytle * L. Ben Lytle | <u>1/27/10</u> | Director |
| /s/ Jack R. Shaw * | <u>1/27/10</u> | Director |

Jack R. Shaw

/s/ Lynn C. Thurber *
Lynn C. Thurber

1/27/10 Director

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/s/ Robert J. Woodward, Jr. * 1/27/10 Director
Robert J. Woodward, Jr.

* By Dennis D. Oklak, Attorney-in-Fact /s/ Dennis D. Oklak

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