FIRST INDUSTRIAL REALTY TRUST INC
Form 10-K
March 01, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 1-13102

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

Maryland	**36-3935116**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
311 S. Wacker Drive, Suite 4000, Chicago, Illinois	**60606**
(Address of principal executive offices)	*(Zip Code)*

(312) 344-4300
(Registrant s telephone number, including area code)

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

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

Depositary Shares Each Representing 1/100 of a Share of 8.625% Series C Cumulative Preferred Stock
Depositary Shares Each Representing 1/10,000 of a Share of 7.25% Series J Cumulative Preferred Stock
Depositary Shares Each Representing 1/10,000 of a Share of 7.25% Series K Cumulative Preferred Stock
(Title of class)

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

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

None

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

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 þ No o

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

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately $1,648.6 million based on the closing price on the New York Stock Exchange for such stock on June 30, 2006.

At February 22, 2007, 44,919,636 shares of the Registrant s Common Stock, $0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

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This report contains certain 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. First Industrial Realty Trust, Inc. (the Company) intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. The Company s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to, changes in: economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of financing, interest rate levels, competition, supply and demand for industrial properties in the Company s current and proposed market areas, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs and changes in general accounting principles, policies and guidelines applicable to real estate investment trusts. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company s financial results, is included herein in Item 1A, Risk Factors and in the Company s other filings with the Securities and Exchange Commission.

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PART I

THE COMPANY

Item 1. *Business*

General

First Industrial Realty Trust, Inc. is a Maryland corporation organized on August 10, 1993, and is a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). First Industrial Realty Trust, Inc., (together with its consolidated subsidiaries, the Company) is a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops, and redevelops industrial real estate. The Company completed its initial public offering in June 1994 (the Initial Offering). Upon consummation of the Initial Offering, the Company owned 226 industrial properties which contained an aggregate of 17.4 million square feet of gross leasable area (GLA). As of December 31, 2006, the Company s in-service portfolio consisted of 416 light industrial properties, 147 R&D/flex properties, 173 bulk warehouse properties, 98 regional warehouse properties and 24 manufacturing properties containing approximately 68.6 million square feet of GLA located in 28 states in the United States and one province in Canada. The Company s in-service portfolio includes all properties other than developed, redeveloped and acquired properties that have not yet reached stabilized occupancy (generally defined as properties that are 90% leased).

The Company s interests in its properties and land parcels are held through (i) partnerships controlled by the Company, including First Industrial, L.P. (the Operating Partnership), of which the Company is the sole general partner, as well as, among others, First Industrial Financing Partnership, L.P. (the Financing Partnership), First Industrial Securities, L.P., First Industrial Mortgage Partnership, L.P., First Industrial Pennsylvania, L.P., First Industrial Harrisburg, L.P., First Industrial Indianapolis, L.P., FI Development Services, L.P. and TK-SV, LTD., as to each of which the sole general partner is a wholly-owned subsidiary of the Company (except in the case of the Financing Partnership in which case the Operating Partnership is also the general partner) and the sole limited partner is the Operating Partnership; (ii) limited liability companies, of which the Operating Partnership is the sole member; and (iii) First Industrial Investment, Inc., of which the Operating Partnership is the sole stockholder, and wholly owned limited liability companies of First Industrial Investment, Inc., all of whose operating data is consolidated with that of the Company as presented herein. The Company, through separate wholly-owned limited liability companies of which the Operating Partnership or First Industrial Investment, Inc. is the sole member, also owns minority equity interests in, and provides various services to, six joint ventures which invest in industrial properties (the September 1998 Joint Venture, the May 2003 Joint Venture, the March 2005 Joint Venture, the September 2005 Joint Venture, the March 2006 Co-Investment Program and the July 2006 Joint Venture). The Company, through a separate, wholly-owned limited liability company of which the Operating Partnership is also the sole member, also owned a minority interest in and provided property management services to a seventh joint venture which invested in industrial properties (the December 2001 Joint Venture ; together with the September 1998 Joint Venture, the May 2003 Joint Venture, the March 2005 Joint Venture, the September 2005 Joint Venture, the March 2006 Co-Investment Program and the July 2006 Joint Venture, the Joint Ventures). During the year ended December 31, 2004, the December 2001 Joint Venture sold all of its industrial properties. On January 31, 2007, the Company purchased the 90% equity interest from the institutional investor in the September 1998 Joint Venture. The operating data of the Joint Ventures is not consolidated with that of the Company as presented herein.

The Company utilizes an operating approach which combines the effectiveness of decentralized, locally-based property management, acquisition, sales and development functions with the cost efficiencies of centralized acquisition, sales and development support, capital markets expertise, asset management and fiscal control systems. At February 22, 2007, the Company had approximately 500 employees.

The Company has grown and will seek to continue to grow through the development and acquisition of additional industrial properties, through additional joint venture investments, and through its corporate services program.

The Company maintains a website at www.firstindustrial.com. Copies of the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available without charge on the Company s website as soon as reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission (the SEC). In addition, the Company s Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter, along with supplemental financial and operating information prepared by the Company, are all available without charge on the Company s website or upon request to the Company. Amendments to, or waivers from, the Company s Code of Business Conduct and Ethics that apply to the Company s executive officers or directors will be posted to the Company s website at www.firstindustrial.com. Please direct requests as follows:

First Industrial Realty Trust, Inc.
311 S. Wacker, Suite 4000
Chicago, IL 60606

Business Objectives and Growth Plans

The Company s fundamental business objective is to maximize the total return to its stockholders through increases in per share distributions and increases in the value of the Company s properties and operations. The Company s growth plans include the following elements:

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

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

Corporate Services. Through its corporate services program, the Company builds for, purchases from, and leases and sells industrial properties to companies that need industrial facilities. The Company seeks to grow this business by targeting both large and middle-market public and private companies.

Business Strategies

The Company utilizes the following six strategies in connection with the operation of its business:

Organization Strategy. The Company implements its decentralized property operations strategy through the deployment of experienced regional management teams and local property managers. Each operating region is headed by a managing director who is a senior executive officer of, and has an equity interest in, the Company. The Company provides acquisition, development and financing assistance, asset management oversight and financial reporting functions from its headquarters in Chicago, Illinois to support its regional operations. The Company believes the size of its portfolio enables it to realize operating efficiencies by spreading overhead among many properties and by negotiating purchasing discounts.

Market Strategy. The Company s market strategy is to concentrate on the top industrial real estate markets in the United States. These top markets have one or more of the following characteristics: (i) strong industrial real estate fundamentals, including increased industrial demand expectations; (ii) a history of and outlook for continued economic growth and industry diversity; and (iii) a minimum market size of 75 million square feet of industrial space. The Company is currently evaluating industrial real estate investments outside the United States, including in Canada.

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

Acquisition/Development Strategy. The Company s acquisition/development strategy is to invest in properties and other assets with higher yield potential in the top industrial real estate markets in the United States. Of the 858 industrial properties in the Company s in-service portfolio at December 31, 2006, 128 properties have been developed by the Company or its former management. The Company will continue to leverage the development capabilities of its management, many of whom are leading industrial property developers in their respective markets.

Disposition Strategy. The Company continuously evaluates local market conditions and property-related factors in all of its markets for purposes of identifying assets suitable for disposition.

Financing Strategy. The Company plans on utilizing a portion of net sales proceeds from property sales, borrowings under its unsecured line of credit and proceeds from the issuance, when and as warranted, of additional debt and equity securities to finance future acquisitions and developments. The Company also continually evaluates joint venture arrangements as another source of capital. As of February 22, 2007, the Company had approximately $210.6 million available in additional borrowings under its unsecured line of credit.

Recent Developments

In 2006, the Company acquired or placed in-service developments totaling 107 industrial properties and acquired several parcels of land for a total investment of approximately $805.5 million. The Company also sold 125 industrial properties and several parcels of land for a gross sales price of approximately $946.8 million. At December 31, 2006, the Company owned 858 in-service industrial properties containing approximately 68.6 million square feet of GLA.

During 2006, in conjunction with the acquisition of several industrial properties, the Company assumed mortgages in the aggregate of $34.0 million. During 2006, the Company paid off and retired $10.3 million of mortgage loans payable.

On January 10, 2006, the Company, through the Operating Partnership, issued $200.0 million of senior unsecured debt which matures on January 15, 2016 and bears interest at a rate of 5.75% (the 2016 Notes). The issue price of the 2016 Notes was 99.653%. In December 2005, the Company also entered into interest rate protection agreements which were used to fix the interest rate on the 2016 Notes prior to issuance. The Company settled the interest rate protection agreements on January 9, 2006 for a payment of approximately $1.7 million, which is included in other comprehensive income.

In December 2005, the Company, through the Operating Partnership, entered into a non-revolving unsecured line of credit (the Unsecured Line of Credit II). The Unsecured Line of Credit II had a borrowing capacity of $125.0 million and matured on March 15, 2006. The Unsecured Line of Credit II provided for interest only payments at LIBOR plus .625% or at Prime, at the Company s election. On January 10, 2006, the Company, through the Operating Partnership, paid off and retired the Unsecured Line of Credit II.

On September 25, 2006, the Company, through the Operating Partnership, issued $175.0 million of senior unsecured debt which bears interest at a rate of 4.625% (the 2011 Exchangeable Notes). Under certain circumstances, the holders of the 2011 Exchangeable Notes may exchange their notes for cash up to their principal amount and shares of the Company s common stock for the remainder of the exchange value in excess of the principal amount. The Company also granted the initial purchasers of the 2011 Exchangeable Notes an option exercisable until October 4, 2006 to purchase up to an additional $25.0 million principal amount of the 2011 Exchangeable Notes to cover over-allotments, if any (the Over-Allotment Option). On October 3, 2006, the initial purchasers of the 2011 Exchangeable Notes exercised their Over-Allotment Option with respect to $25.0 million in principal amount of the 2011 Exchangeable Notes. With the exercise of the Over-Allotment Option, the aggregate principal amount of 2011 Exchangeable Notes issued and outstanding is $200.0 million. In connection with the offering of the Exchangeable Notes, the Operating Partnership entered into capped call transactions in order to increase the effective exchange price. The aggregate cost of the capped call transactions was approximately $6.8 million.

On December 1, 2006, the Company paid off and retired its 7.0% 2006 Unsecured Notes in the amount of $150.0 million.

On November 8, 2005 and November 18, 2005, the Company issued 600 and 150 Shares, respectively, of $0.01 par value, Series I Flexible Cumulative Redeemable Preferred Stock (the Series I Preferred Stock), in a private placement at an initial offering price of $250,000 per share for an aggregate initial offering price of $187.5 million. The Company redeemed the Series I Preferred Stock on January 13, 2006 for $242,875.00 per share, and paid a prorated first quarter dividend of $470.667 per share, totaling approximately $0.4 million. In accordance with EITF D-42, due to the redemption of the Series I Preferred Stock, the difference between the redemption cost and the carrying value of the Series I Preferred Stock of approximately $0.7 million is reflected as a deduction from net income to arrive at net income available to common stockholders in determining earnings per share for the year ended December 31, 2006.

On January 13, 2006, the Company issued 6,000,000 Depositary Shares, each representing 1/10,000th of a share of the Company s 7.25%, $0.01 par value, Series J Cumulative Redeemable Preferred Stock (the Series J Preferred Stock), at an initial offering price of $25.00 per Depositary Share.

On August 21, 2006, the Company issued 2,000,000 Depositary Shares, each representing 1/10,000th of a share of the Company s 7.25%, $0.01 par value, Series K Flexible Cumulative Redeemable Preferred Stock (the Series K Preferred Stock), at an initial offering price of $25.00 per Depositary Share.

On March 21, 2006, the Company, through separate wholly-owned limited liability companies of which the Operating Partnership is the sole member, entered into a co-investment arrangement with an institutional investor to invest in industrial properties (the March 2006 Co-Investment Program). The Company, through separate wholly-owned limited liability companies of which the Operating Partnership or First Industrial Investment, Inc. is the sole member, owns a 15% equity interest in and provides property management, leasing, disposition and portfolio management services to the March 2006 Co-Investment Program.

On July 21, 2006, the Company, through a wholly-owned limited liability company of First Industrial Investment, Inc. entered into a joint venture arrangement with an institutional investor to invest in land and vertical development (the July 2006 Joint Venture). The Company, through wholly-owned limited liability companies in which First Industrial Investment, Inc. is the sole member, owns a 10% equity interest in and provides property management, leasing, development, disposition and portfolio management services to the July 2006 Joint Venture.

From January 1, 2007 to February 22, 2007, the Company acquired 55 industrial properties (including 41 properties in connection with the purchase of the 90% equity interest from the institutional investor in the September 1998 Joint Venture on January 31, 2007) and several land parcels for a total estimated investment of approximately $135.9 million. The Company also sold 14 industrial properties for approximately $74.4 million of gross proceeds during this period.

On February 28, 2007, the Company declared a first quarter 2007 distribution of $.710 per common share/unit on its common stock/units which is payable on April 16, 2007. The Company also declared a first quarter 2007 dividend of $53.91 per share ($0.5391 per Depositary Share), on its Series C Preferred Stock, totaling, in the aggregate, approximately $1.1 million, which is payable on April 2, 2007; a semi-annual dividend of $3,118.00 per share

($31.1800 per Depositary Share) on its Series F Preferred Stock, totaling, in the aggregate, approximately $1.6 million, which is payable on April 2, 2007; a semi-annual dividend of $3,618.00 per share ($36.1800 per Depositary Share) on its Series G Preferred Stock, totaling, in the aggregate, approximately $0.9 million, which is payable on April 2, 2007; a dividend of $4,531.30 per share ($0.4531 per Depositary Share) on its Series J Preferred Stock, totaling, in the aggregate approximately $2.7 million, which is payable on April 2, 2007 and a dividend of $4,531.30 per share ($0.4531 per Depositary

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Share) on its Series K Preferred Stock, totaling, in the aggregate, approximately $0.9 million, which is payable on April 2, 2007.

Future Property Acquisitions, Developments and Property Sales

The Company has an active acquisition and development program through which it is continually engaged in identifying, negotiating and consummating portfolio and individual industrial property acquisitions and developments. As a result, the Company is currently engaged in negotiations relating to the possible acquisition and development of certain industrial properties.

The Company also sells properties based on market conditions and property related factors. As a result, the Company is currently engaged in negotiations relating to the possible sale of certain industrial properties in the Company s portfolio.

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

INDUSTRY

Industrial properties are typically used for the design, assembly, packaging, storage and distribution of goods and/or the provision of services. As a result, the demand for industrial space in the United States is related to the level of economic output. Historically, occupancy rates for industrial property in the United States have been higher than those for other types of commercial property. The Company believes that the higher occupancy rate in the industrial property sector is a result of the construction-on-demand nature of, and the comparatively short development time required for, industrial property. For the five years ended December 31, 2006, the occupancy rates for industrial properties in the United States have ranged from 88.1%* to 90.6%*, with an occupancy rate of 90.6%* at December 31, 2006.

* Source: Torto Wheaton Research

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Item 1A. *Risk Factors*

Risk Factors

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

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

The factors that affect the value of the Company s real estate and the revenues the Company derives from its properties include, among other things:

- general economic conditions;
- local conditions such as oversupply or a reduction in demand in an area;
- the attractiveness of the properties to tenants;
- tenant defaults;
- zoning or other regulatory restrictions;
- competition from other available real estate;
- our ability to provide adequate maintenance and insurance; and
- increased operating costs, including insurance premiums and real estate taxes.

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

The Company s financial results depend on leasing space to tenants on terms favorable to the Company. The Company s income and funds available for distribution to its stockholders will decrease if a significant number of the Company s tenants cannot pay their rent or the Company is unable to lease properties on favorable terms. In addition, if a tenant does not pay its rent, the Company may not be able to enforce its rights as landlord without delays and the Company 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. For the year ended December 31, 2006, approximately 69.4% of the Company s gross revenues from continuing operations came from rentals of real property.

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

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

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

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

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

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

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

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

As part of its business, the Company develops new and re-develops existing properties. In addition, the Company has sold to third parties or sold to the Company s joint ventures a significant number of development and re-development properties in recent years, and the Company intends to continue to sell such properties to third parties or to sell such properties to the Company s joint ventures as opportunities arise. The real estate development and re-development business involves significant risks that could adversely affect the Company s financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of the Company s common stock, which include:

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

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

- the properties may perform below anticipated levels, producing cash flow below budgeted amounts and limiting the Company s ability to sell such properties to third parties or to sell such properties to the Company s joint ventures.

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

The Company is subject to the risks that, upon expiration, leases may not be renewed, the space subject to such leases may not be relet or the terms of renewal or reletting, including the cost of required renovations, may be less favorable than expiring lease terms. If the Company were unable to promptly renew a significant number of expiring leases or to promptly relet the space covered by such leases, or if the rental rates upon renewal or reletting were significantly lower than the current rates, the Company s cash, funds from operations, and ability to make expected distributions to stockholders might be adversely affected. As of December 31, 2006, leases with respect to approximately 12.6 million, 12.3 million and 10.0 million square feet of GLA, representing 20%, 19% and 16% of GLA, expire in the remainder of 2007, 2008 and 2009, respectively.

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

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

The Company (through one of its subsidiary partnerships) entered into certain development agreements in 2000 through 2003, the performance of which has been completed. Under these agreements, the Company provided services to unrelated third parties and certain payments were made by the unrelated third parties for services provided by certain contractors hired by the Company. The Company believes that these payments were properly characterized by it as reimbursements for costs incurred by it on behalf of the third parties and do not constitute gross income and did not prevent the Company from satisfying the gross income requirements of the REIT provisions (the gross income tests). The Company has brought this matter to the attention of the Internal Revenue Service (the IRS). The IRS has not challenged or expressed any interest in challenging the Company s view on this matter.

Employees of the Operating Partnership, a subsidiary partnership of the Company (the Service Employees), have been providing certain acquisition and disposition services since 2004 and certain leasing and property management services since 1997 to one of the Company s taxable REIT subsidiaries (the TRS), and have also been providing certain of these services (or similar services) to joint ventures in which First Industrial, L.P. owns a minority interest or to unrelated parties. In determining whether it satisfied the gross income tests for certain years, the Company has taken and intends to take the position that the costs of the Service Employees should be shared between First Industrial, L.P. and the TRS and that no fee income should be imputed to the Company as a result of such arrangement. However, because certain of these services (or similar services) have also been performed for the joint ventures or unrelated parties described above, there can be no assurance that the IRS will not successfully challenge this position. First Industrial, L.P. has taken and intends to continue to take appropriate steps to address this issue going forward, but there can be no assurance that any such steps will adequately resolve this issue.

If the IRS were to challenge either of the positions described in the two preceding paragraphs and were successful, the Company could be found not to have satisfied the gross income tests in one or more of its taxable years. If the Company were found not to have satisfied the gross income tests, it could be subject to a penalty tax. However, such noncompliance should not adversely affect the Company s status as a REIT as long as such noncompliance was due to reasonable cause and not to willful neglect and certain other requirements were met. The Company believes that, in both situations, any such noncompliance was due to reasonable cause and not willful neglect and that such other requirements were met.

If the Company were to fail to qualify as a REIT in any taxable year, it would be subject to federal income tax, including any applicable alternative minimum tax, on its taxable income at corporate rates. This could result in a discontinuation or substantial reduction in dividends to stockholders and in cash to pay interest and principal on debt securities that the Company issues. Unless entitled to relief under certain statutory provisions, the Company would be disqualified from electing treatment as a REIT for the four taxable years following the year during which it failed to qualify as a REIT.

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

As part of its business, the Company (through the Operating Partnership) sells properties to third parties or sells properties to the Company s joint ventures as opportunities arise. Under the Code, a 100% penalty tax could be assessed on the gain resulting from sales of properties that are deemed to be prohibited transactions. The question of what constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The IRS could contend that certain sales of properties by the Company are prohibited transactions. While the Company s management does not believe that the IRS would prevail in such a dispute, if the matter were successfully argued by the IRS, the 100% penalty tax could be assessed against the profits from these transactions. In addition, any income from a prohibited transaction may adversely affect the Company s ability to satisfy the income tests for qualification as a REIT.

The REIT distribution requirements may require the Company to turn to external financing sources.

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

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

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

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

If the Operating Partnership decides to obtain additional debt financing in the future, it may do so through mortgages on some or all of its properties. These mortgages may be issued on a recourse, non-recourse or cross-collateralized basis. Cross-collateralization makes all of the subject properties available to the lender in order to satisfy the Company s debt. Holders of indebtedness that is so secured will have a claim against these properties. To the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon properties that are not the primary collateral for their loan, which may, in turn, result in acceleration of other indebtedness secured by properties. Foreclosure of properties would result in a loss of income and asset value to the Company, making it difficult for it to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. As of December 31, 2006, none of the Company s current indebtedness was cross-collateralized.

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

The Company is required to make the following lump-sum or balloon payments under the terms of some of its indebtedness, including the Operating Partnership s:

$50 million aggregate principal amount of 7.75% Notes due 2032 (the 2032 Notes)

$200 million aggregate principal amount of 7.60% Notes due 2028 (the 2028 Notes)

approximately $15 million aggregate principal amount of 7.15% Notes due 2027 (the 2027 Notes)

$100 million aggregate principal amount of 7.50% Notes due 2017 (the 2017 Notes)

$200 million aggregate principal amount of 5.75% Notes due 2016 (the 2016 Notes)

$125 million aggregate principal amount of 6.42% Notes due 2014 (the 2014 Notes)

$200 million aggregate principal amount of 6.875% Notes due 2012 (the 2012 Notes)

$200 million aggregate principal amount of 4.625% Notes due 2011 (the 2011 Exchangeable Notes)

$200 million aggregate principal amount of 7.375% Notes due 2011 (the 2011 Notes)

$125 million aggregate principal amount of 5.25% Notes due 2009 (the 2009 Notes)

$150 million aggregate principal amount of 7.60% Notes due 2007 (the 2007 Notes)

a $500 million unsecured revolving credit facility (the Unsecured Line of Credit I) under which First Industrial Realty Trust, Inc., through the Operating Partnership, may borrow to finance the acquisition of additional properties and for other corporate purposes, including working capital.

The Unsecured Line of Credit I provides for the repayment of principal in a lump-sum or balloon payment at maturity in 2008. Under the Unsecured Line of Credit I, the Operating Partnership has the right, subject to certain conditions, to increase the aggregate commitment by up to $100.0 million. As of December 31, 2006, $207.0 million was outstanding under the Unsecured Line of Credit I at a weighted average interest rate of 6.058%.

The Company s ability to make required payments of principal on outstanding indebtedness, whether at maturity or otherwise, may depend on its ability either to refinance the applicable indebtedness or to sell properties. The Company has no commitments to refinance the 2007 Notes, the 2009 Notes, the 2011 Notes, the 2011 Exchangeable Notes, the 2012 Notes, the 2014 Notes, the 2016 Notes, the 2017 Notes, the 2027 Notes, the 2028 Notes, the 2032 Notes or the Unsecured Line of Credit I. Some of the existing debt obligations, other than those discussed above, of the Company, through the Operating Partnership, are secured by the Company s properties, and therefore such obligations will permit the lender to foreclose on those properties in the event of a default.

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

The organizational documents of the Company do not contain any limitation on the amount or percentage of indebtedness the Company may incur. Accordingly, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely affect the Company s ability to make expected distributions to stockholders and in an increased risk of default on the Company s obligations. As of December 31, 2006, the Company s ratio of debt to its total market capitalization was 40.1%. The Company computes that percentage by calculating its total consolidated debt as a percentage of the aggregate market value of all outstanding shares of the Company s common stock, assuming the exchange of all limited partnership units of the Operating Partnership for common stock, plus the aggregate stated value of all outstanding shares of preferred stock and total consolidated debt.

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

The Company s Unsecured Line of Credit I bears interest at a floating rate. As of December 31, 2006, the Company s Unsecured Line of Credit I had an outstanding balance of $207.0 million at a weighted average interest rate of 6.058%. The Company s Unsecured Line of Credit I bears interest at the Prime Rate or at the LIBOR plus .625%. Based on an outstanding balance on the Company s Unsecured Line of Credit I as of December 31, 2006, a 10% increase in interest rates would increase interest expense by $1.3 million on an annual basis. Increases in the interest rate payable on balances outstanding under the Unsecured Line of Credit I would decrease the Company s cash available for distribution to stockholders.

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

As a real estate investment trust, the market value of the Company s common stock, in general, is based primarily upon the market s perception of the Company s growth potential and its current and potential future earnings and cash dividends. The market value of the Company s common stock is based secondarily upon the market value of the Company s underlying real estate assets. For this reason, shares of the Company s common stock may trade at prices that are higher or lower than the Company s net asset value per share. To the extent that the Company retains operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of the Company s underlying assets, may not correspondingly increase the market price of the Company s common stock. The Company s failure to meet the market s expectations with regard to future earnings and cash dividends likely would adversely affect the market price of the Company s common stock. Further, the distribution yield on the common stock (as a percentage of the price of the common stock) relative to market interest rates may also influence the price of the Company s common stock. An increase in market interest rates might lead prospective purchasers of the Company s common stock to expect a higher distribution yield, which would adversely affect the market price of the Company s common stock. Additionally, if the market price of the Company s common stock declines significantly, then the Company might breach certain covenants with respect to its debt obligations, which could adversely affect the Company s liquidity and ability to make future acquisitions and the Company s ability to pay dividends to its stockholders.

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

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

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

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

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

As of December 31, 2006, the Company s six joint ventures owned approximately 26.0 million square feet of properties. As of December 31, 2006, the Company s investment in joint ventures exceeded $55 million in the aggregate, and for the year ended December 31, 2006, the Company s equity in income of joint ventures exceeded $30 million. The Company s organizational documents do not limit the amount of available funds that the Company may invest in joint ventures and the Company intends to continue to develop and acquire properties through joint ventures with other persons or entities when warranted by the circumstances. Joint venture investments, in general, involve certain risks, including:

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

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

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

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

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

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

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

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

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

Item 1B. ***Unresolved SEC Comments***

None

Item 2. *Properties*

General

At December 31, 2006, the Company owned 858 in-service industrial properties containing an aggregate of approximately 68.6 million square feet of GLA in 28 states and one province in Canada, with a diverse base of more than 2,500 tenants engaged in a wide variety of businesses, including manufacturing, retail, wholesale trade, distribution and professional services. The properties are generally located in business parks that have convenient access to interstate highways and/or rail and air transportation. The weighted average age of the properties as of December 31, 2006 was approximately 19 years. The Company maintains insurance on its properties that the Company believes is adequate.

The Company classifies its properties into five industrial categories: light industrial, R&D/flex, bulk warehouse, regional warehouse and manufacturing. While some properties may have characteristics which fall under more than one property type, the Company uses what it believes is the most dominant characteristic to categorize the property.

The following describes, generally, the different industrial categories:

> Light industrial properties are of less than 100,000 square feet, have a ceiling height of 16-21 feet, are comprised of 5%-50% of office space, contain less than 50% of manufacturing space and have a land use ratio of 4:1. The land use ratio is the ratio of the total property area to the area occupied by the building.
>
> R&D/flex buildings are of less than 100,000 square feet, have a ceiling height of less than 16 feet, are comprised of 50% or more of office space, contain less than 25% of manufacturing space and have a land use ratio of 4:1.
>
> Bulk warehouse buildings are of more than 100,000 square feet, have a ceiling height of at least 22 feet, are comprised of 5%-15% of office space, contain less than 25% of manufacturing space and have a land use ratio of 2:1.
>
> Regional warehouses are of less than 100,000 square feet, have a ceiling height of at least 22 feet, are comprised of 5%-15% of office space, contain less than 25% of manufacturing space and have a land use ratio of 2:1.
>
> Manufacturing properties are a diverse category of buildings that have a ceiling height of 10-18 feet, are comprised of 5%-15% of office space, contain at least 50% of manufacturing space and have a land use ratio of 4:1.

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Each of the properties is wholly owned by the Company or its consolidated subsidiaries. The following tables summarize certain information as of December 31, 2006, with respect to the Company s in-service properties.

Property Summary

	Light Industrial		R&D/Flex		Bulk Warehouse		Regional Warehouse		Manufacturi	Nu
opolitan Area	**GLA**	**Number of Properties**	**GLA**	**Number of Properties**	**GLA**	**Number of Properties**	**GLA**	**Number of Properties**	**GLA**	**Pro**
ta, GA(a)	789,082	13	206,826	5	2,620,959	12	455,935	6	747,950	
nore, MD	918,062	15	169,660	5	910,735	4			171,000	
al PA(b)	923,242	9			897,000	3	117,599	3		
go, IL	1,104,890	19	174,198	3	2,898,661	15	198,131	4	421,000	
nnati, OH	436,389	4			1,765,130	8	79,800	1		
land, OH	64,000	1			608,740	4				
nbus, OH(c)	217,612	2			2,442,967	7	98,800	1		
s, TX	1,811,665	45	454,963	18	2,637,371	18	677,433	10	128,478	
er, CO	1,543,666	29	1,527,480	37	1,499,976	9	521,664	8	126,384	
Ioines, IA					150,444	1	88,000	1		
it, MI	2,380,894	86	532,376	16	530,843	5	759,851	18	116,250	
l Rapids, MI	61,250	1								
on, TX	449,325	6			2,233,064	13	437,088	6		
napolis, IN(d,e,f,g)	889,600	18	108,200	4	3,728,421	15	323,610	8	71,600	
ngeles, CA	451,760	6			329,664	3	120,162	2		
ville, KY					443,500	2				
aukee, WI	263,567	6	93,705	2	838,129	6	129,557	2		
eapolis/St. Paul, ,i,j)	1,626,304	20	524,265	7	1,902,386	9	321,805	4	994,077	
ville, TN	273,843	5			1,588,813	7			109,058	
w Jersey	1,200,856	21	413,167	7	555,205	4	58,585	1		
delphia, PA	878,456	18	127,802	5	221,937	2	160,828	3	30,000	
nix, AZ	135,415	6			131,000	1	588,520	8		
ake City, UT	601,051	33	146,937	6	834,693	5	82,704	1		
iego, CA	112,773	5			397,967	2	274,042	7		
w Jersey(k)	1,386,577	21	23,050	1			118,496	2	22,738	
uis, MO(l)	545,747	7			1,887,790	8	96,392	1		
a, FL(m)	493,029	12	759,328	31	209,500	1				
(n)	692,837	8			2,098,214	9	50,000	1	36,000	
	20,251,892	416	5,261,957	147	34,363,109	173	5,759,002	98	2,974,535	

(a) One property collateralizes a $3.0 million mortgage loan which matures on May 1, 2016.

(b) One property collateralizes a $15.2 million mortgage loan which matures on December 1, 2010.

(c) One property collateralizes a $5.1 million mortgage loan which matures on December 1, 2019.

(d) Twelve properties collateralize a $1.8 million mortgage loan which matures on September 1, 2009.

(e) One property collateralizes a $1.6 million mortgage loan which matures on January 1, 2013.

(f) One property collateralizes a $2.4 million mortgage loan which matures on January 1, 2012.

(g) One property collateralizes a $1.9 million mortgage loan which matures on June 1, 2014.

(h) One property collateralizes a $0.8 million mortgage loan which matures on February 1, 2017.

(i) One property collateralizes a $5.3 million mortgage loan which matures on December 1, 2019.

(j) One property collateralizes a $1.9 million mortgage loan which matures on September 30, 2024.

(k) One property collateralizes a $6.7 million mortgage loan which matures on March 1, 2011.

(l) One property collateralizes a $14.2 million mortgage loan and a $12.0 million mortgage loan which both mature on January 1, 2014.

(m) Six properties collateralize a $6.0 million mortgage loan which matures on July 1, 2009.

(n) Properties are located in Wichita, KS, McAllen, TX, Austin, TX, Orlando, FL, Horn Lake, MS, Shreveport, LA, Kansas City, MO, San Antonio, TX, Birmingham, AL, Portland, OR, Cambridge, ON, Stratford, ON, Omaha, NE, and Ajax, ON.

Property Summary Totals

	Totals			
Metropolitan Area	**GLA**	**Number of Properties(b)**	**Average Occupancy at 12/31/06(b)**	**GLA as a % of Total Portfolio(b)**
Atlanta, GA	4,820,752	39	94%	7.0%
Baltimore, MD	2,169,457	25	98%	3.2%
Central, PA	1,937,841	15	98%	2.8%
Chicago, IL	4,796,880	43	91%	7.0%
Cincinnati, OH	2,281,319	13	89%	3.3%
Cleveland, OH	672,740	5	100%	1.0%
Columbus, OH	2,759,379	10	90%	4.0%
Dallas, TX	5,709,910	92	93%	8.3%
Denver, CO	5,219,170	84	90%	7.6%
Des Moines, IA	238,444	2	87%	0.3%
Detroit, MI	4,320,214	126	86%	6.3%
Grand Rapids, MI	61,250	1	100%	0.1%
Houston, TX	3,119,477	25	94%	4.5%
Indianapolis, IN	5,121,431	47	98%	7.5%
Los Angeles, CA	901,586	11	100%	1.3%
Louisville, KY	443,500	2	100%	0.6%
Milwaukee, WI	1,324,958	16	95%	1.9%
Minneapolis/St. Paul, MN	5,368,837	49	95%	7.8%
Nashville, TN	1,971,714	13	99%	2.9%
N. New Jersey	2,227,813	33	96%	3.2%
Philadelphia, PA	1,419,023	29	96%	2.1%
Phoenix, AZ	854,935	15	93%	1.2%
Salt Lake City, UT	1,665,385	45	97%	2.4%
San Diego, CA	784,782	14	83%	1.1%
S. New Jersey	1,550,861	25	98%	2.3%
St. Louis, MO	2,529,929	16	98%	3.7%
Tampa, FL	1,461,857	44	92%	2.1%
Other(a)	2,877,051	19	100%	4.2%

Total or Average	68,610,495	858	94%	100.0%

(a) Properties are located in Wichita, KS, McAllen, TX, Austin, TX, Orlando, FL, Horn Lake, MS, Shreveport, LA, Kansas City, MO, San Antonio, TX, Birmingham, AL, Portland, OR, Cambridge, ON, Stratford, ON, Omaha, NE, and Ajax, ON.

(b) Includes only in-service properties.

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Property Acquisition Activity

During 2006, the Company acquired 91 industrial properties totaling approximately 10.5 million square feet of GLA at a total purchase price of approximately $573.3 million, or approximately $54.60 per square foot. The Company also purchased several land parcels for an aggregate purchase price of approximately $37.4 million. The 91 industrial properties acquired have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type	Average Occupancy at 12/31/2006(b)
Atlanta, GA	2	192,000	Bulk/Regional Warehouse	71%
Central, PA	2	81,200	Light Industrial	100%
Chicago, IL(a)	1	25,313	Bulk Warehouse	N/A
Chicago, IL	4	652,944	Bulk Warehouse/Light Industrial	96%
Cincinnati, OH	1	79,800	Regional Warehouse	100%
Cleveland, OH	7	1,124,799	Bulk Warehouse/Light Industrial	86%
Cleveland, OH(a)	4	788,292	Bulk Warehouse	N/A
Columbus, OH(a)	1	744,800	Bulk Warehouse	N/A
Columbus, OH	2	306,627	Bulk/Regional Warehouse	100%
Dallas, TX	2	628,243	Light Industrial/Bulk Warehouse	100%
Denver, CO	4	350,606	Bulk Warehouse	98%
Detroit, MI	3	168,962	Manufacturing/Regional Warehouse	100%
Indianapolis, IN	1	209,380	Bulk Warehouse	100%
Los Angeles, CA	7	698,991	Light Industrial	63%
Milwaukee, WI	1	90,089	Regional Warehouse	100%
Minneapolis/St. Paul, MN	3	180,589	Light Industrial/Regional Warehouse	100%
Philadelphia, PA(a)	1	87,000	Light Industrial	N/A
Phoenix, AZ	3	272,197	Bulk /Regional Warehouse	44%
Phoenix, AZ(a)	2	217,496	Bulk Warehouse/Light Industrial	44%
San Diego, CA	8	186,787	Light Industrial/Regional Warehouse	45%
S. New Jersey	2	128,026	Light Industrial	66%
S. New Jersey(a)	1	37,875	R&D/Flex	N/A
Salt Lake City, UT	5	715,273	Light Industrial /Bulk Warehouse / Regional Warehouse	99%
San Francisco, CA	1	143,750	Bulk Warehouse	100%
St. Louis, MO	2	1,186,423	Light Industrial/Bulk Warehouse	100%
Tampa, FL	19	497,535	R&D/Flex	66%
Other(c)	2	698,794	Bulk Warehouse	100%
Total	91	10,493,791		

(a) Property was sold in 2006.

(b) Includes only in-service properties.

(c) Properties are located in Omaha, NE, and Ajax, ON.

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Property Development Activity

During 2006, the Company placed in-service 16 developments totaling approximately 5.0 million square feet of GLA at a total cost of approximately $194.8 million, or approximately $38.64 per square foot. The placed in-service developments have the following characteristics:

Metropolitan Area	GLA	Property Type	Average Occupancy at 12/31/06
Chicago, IL	134,905	Bulk Warehouse	100%
Seattle, WA(a)	451,151	Bulk Warehouse	N/A
Atlanta, GA(a)	399,695	Regional Warehouse	N/A
Chicago, IL	167,556	Bulk Warehouse	100%
Indianapolis, IN(a)	158,928	Bulk Warehouse	N/A
Dallas, TX	201,500	Bulk Warehouse	100%
Flint, MI	80,000	R&D/Flex	100%
Byhalia, MS(a)	400,000	Bulk Warehouse	N/A
Atlanta, GA(a)	1,300,716	Bulk Warehouse	N/A
Shreveport, TX	646,000	Bulk Warehouse	100%
Houston, TX(a)	210,000	Bulk Warehouse	N/A
Houston, TX(a)	80,000	Regional Warehouse	N/A
Nashville, TN	300,000	Bulk Warehouse	100%
Detroit, MI	116,250	Manufacturing	100%
Chicago, IL	120,000	Bulk Warehouse	100%
Nashville, TN	275,000	Bulk Warehouse	100%
Total	5,041,701		

(a) Property was sold in 2006.

At December 31, 2006, the Company had 16 development projects not placed in service, totaling an estimated 2.8 million square feet and with an estimated completion cost of approximately $154.7 million. The Company estimates it will place in service 16 of the 16 projects in fiscal year 2007. There can be no assurance that the Company will place these projects in service in 2007 or that the actual completion cost will not exceed the estimated completion cost stated above.

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Property Sales

During 2006, the Company sold 125 industrial properties totaling approximately 17.1 million square feet of GLA and several land parcels. Total gross sales proceeds approximated $946.8 million. The 125 industrial properties sold have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type
Atlanta, GA	5	2,170,372	R&D/Flex/Bulk Warehouse/Manufacturing
Baltimore, MD	5	636,073	Light Industrial/Bulk Warehouse
Central, PA	2	206,931	Bulk Warehouse
Chicago, IL	7	922,983	Bulk/Regional Warehouse/Manufacturing
Cincinnati, OH	11	913,041	Regional /Bulk Warehouse/Lt. Ind.
Cleveland, OH	5	1,250,292	Bulk Warehouse/Manufacturing
Columbus, OH	1	744,800	Bulk Warehouse
Dallas, TX	14	1,060,054	Bulk/Lt. Ind./Manufacturing /R&D/Flex/Regional
Denver, CO	2	63,287	Light Industrial
Detroit, MI	5	178,942	Bulk/Lt. Ind/R&D/Flex/Regional
Houston, TX	7	783,080	Bulk/Lt. Ind/R&D/Flex/Regional
Indianapolis, IN	9	856,206	Bulk/Lt. Ind/R&D/Flex/Regional
Los Angeles, CA	13	818,362	Bulk Warehouse/R&D/Flex/Lt. Ind.
Milwaukee, WI	5	1,000,263	Bulk/Regional/Lt. Ind. Warehouse
Minneapolis/St. Paul, MN	5	276,881	Manufacturing/R&D/Flex
N. New Jersey	1	92,400	Regional Warehouse
Nashville, TN	3	467,041	Bulk/Regional Warehouse
Philadelphia, PA	4	239,038	Light Industrial
Phoenix, AZ	6	1,102,179	Bulk Warehouse/Light Industrial
Raleigh, NC	2	397,120	Bulk Warehouse/Manufacturing
S. New Jersey	2	58,883	R&D/Flex/Light Industrial
San Diego, CA	3	155,984	Bulk/Regional Warehouse
San Francisco, CA	1	143,750	Bulk Warehouse
Seattle, WA	1	451,151	Bulk Warehouse
St. Louis, MO	1	281,105	Bulk Warehouse
Tampa, FL	1	14,914	R&D/Flex
Other(a)	4	1,827,946	Bulk Warehouse
Total	125	17,113,078	

(a) Properties are located in Malvern, AR, Sparks, NV, Byhalia, MS and Greenville, SC.

Property Acquisitions, Developments and Sales Subsequent to Year End

From January 1, 2007 to February 22, 2007, the Company acquired 55 industrial properties (including 41 properties in connection with the purchase of the 90% equity interest from the institutional investor in the September 1998 Joint Venture on January 31, 2007) and several land parcels for a total estimated investment of approximately $135.9 million. The Company also sold 14 industrial properties, for approximately $74.4 million of gross proceeds during this period.

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Tenant and Lease Information

The Company has a diverse base of more than 2,500 tenants engaged in a wide variety of businesses including manufacturing, retail, wholesale trade, distribution and professional services. Most leases have an initial term of between three and six years and provide for periodic rent increases that are either fixed or based on changes in the Consumer Price Index. Industrial tenants typically have net or semi-net leases and pay as additional rent their percentage of the property s operating costs, including the costs of common area maintenance, property taxes and insurance. As of December 31, 2006, approximately 94% of the GLA of the in-service industrial properties was leased, and no single tenant or group of related tenants accounted for more than 2.2% of the Company s rent revenues, nor did any single tenant or group of related tenants occupy more than 1.6% of the Company s total GLA as of December 31, 2006.

The following table shows scheduled lease expirations for all leases for the Company s in-service properties as of December 31, 2006.

Year of Expiration(1)	Number of Leases Expiring	GLA Expiring(2)	Percentage of GLA Expiring	Annual Base Rent Under Expiring Leases (In thousands)	Percentage of Total Annual Base Rent Expiring(2)
2007	716	12,577,758	20%	54,949	19%
2008	566	12,329,575	19%	52,606	18%
2009	517	10,039,151	16%	46,189	16%
2010	300	7,060,607	11%	32,543	11%
2011	254	6,223,967	10%	31,779	11%
2012	81	2,177,391	3%	10,557	4%
2013	51	3,501,366	5%	14,029	5%
2014	23	1,142,517	2%	5,448	2%
2015	30	2,176,249	3%	6,996	2%
2016	27	2,250,640	3%	8,036	3%
Thereafter	28	5,120,820	8%	22,928	9%
Total	2,593	64,600,041	100.0%	$ 286,060	100.0%

(1) Lease expirations as of December 31, 2006 assume tenants do not exercise existing renewal, termination or purchase options.

(2) Does not include existing vacancies of 4,010,454 aggregate square feet.

Item 3. ***Legal Proceedings***

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

Company.

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

None.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information

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

Quarter Ended	High	Low	Distribution Declared
December 31, 2006	$ 50.52	$ 43.70	$ 0.7100
September 30, 2006	$ 44.25	$ 37.25	$ 0.7000
June 30, 2006	$ 41.79	$ 36.50	$ 0.7000
March 31, 2006	$ 43.24	$ 37.73	$ 0.7000
December 31, 2005	$ 41.82	$ 37.79	$ 0.7000
September 30, 2005	$ 41.80	$ 37.20	$ 0.6950
June 30, 2005	$ 42.16	$ 37.35	$ 0.6950
March 31, 2005	$ 42.65	$ 37.83	$ 0.6950

The Company had 617 common stockholders of record registered with its transfer agent as of February 22, 2007.

The Company has determined that, for federal income tax purposes, approximately 9.30% of the total $126.0 million in distributions declared in 2006 represents ordinary dividend income to its stockholders, 8.57% qualify as 25 percent rate capital gain, 20.63% qualify as 15 percent rate qualified dividend income, 11.97% qualify as a 15 percent rate capital gain and the remaining 49.53% represents a return of capital.

Additionally, for tax purposes, 18.42% of the Company s 2006 preferred stock dividends qualify as ordinary income, 16.98% qualify as 25 percent rate capital gain, 40.88% qualify as 15 percent rate qualified dividend income and 23.72% qualify as 15 percent rate capital gain.

In order to maintain its status as a REIT, the Company is required to meet certain tests, including distributing at least 90% of its REIT taxable income, or approximately $1.24 per common share for 2006. The Company s dividend policy is to meet the minimum distribution required to maintain the Company s REIT qualification under the Internal Revenue Code.

On January 20 and March 31, 2006, the Operating Partnership issued 21,650 and 9,823 Units, respectively, having an aggregate market value of approximately $1.3 million in exchange for property.

All of the above Units were issued in private placements in reliance on Section 4(2) of the Securities Act of 1933, as amended, including Regulation D promulgated thereunder, to individuals or entities holding real property or interests therein. No underwriters were used in connection with such issuances.

Subject to lock-up periods and certain adjustments, Units are convertible into common stock, par value $0.01 per share, of the Company on a one-for-one basis or cash at the option of the Company.

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Equity Compensation Plans

The following table sets forth information regarding the Company s equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders			2,178,868
Equity Compensation Plans Not Approved by Security Holders(1)	381,976	$ 31.65	93,340
Total	381,976	$ 31.65	2,272,208

(1) See Notes 3 and 13 of the Notes to Consolidated Financial Statements contained herein for a description of the plan.

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Performance Graph*

The following graph provides a comparison of the cumulative total stockholder return among the Company, the NAREIT Equity REIT Total Return Index (the NAREIT Index), an industry index which, as of December 31, 2006, was comprised of 130 tax-qualified equity REITs (including the Company), and the Standard & Poor s 500 Index (S&P 500). The comparison is for the period from December 31, 2001 to December 31, 2006 and assumes the reinvestment of any dividends. The closing price for the Company s Common Stock quoted on the NYSE at the close of business on December 31, 2001 was $31.10 per share. The NAREIT Index includes REITs with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. Upon written request, the Company will provide stockholders with a list of the REITs included in the NAREIT Index. The historical information set forth below is not necessarily indicative of future performance. The following graph was prepared at the Company s request by Research Data Group, Inc., San Francisco, California.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

	12/01	12/02	12/03	12/04	12/05	12/06
FIRST INDUSTRIAL REALTY TRUST, INC.	$ 100	$ 98	$ 129	$ 167	$ 169	$ 220
S&P 500	100	78	100	111	117	135
NAREIT	100	104	142	187	210	284

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

Item 6. ***Selected Financial Data***

The following sets forth selected financial and operating data for the Company on a historical consolidated basis. The following data should be read in conjunction with the financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The historical statements of operations for the years ended December 31, 2006, 2005, 2004, 2003, and 2002 include the results of operations of the Company as derived from the Company s audited financial statements. The results of operations of properties sold are presented in discontinued operations if they met both of the following criteria: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposition and (b) the Company will not have any significant involvement in the operations of the property after the disposal transaction. The historical balance sheet data and other data as of December 31, 2006, 2005, 2004, 2003, and 2002 include the balances of the Company as derived from the Company s audited financial statements.

	Year Ended 12/31/06	Year Ended 12/31/05	Year Ended 12/31/04	Year Ended 12/31/03	Year Ended 12/31/02
	(In thousands, except per unit and property data)				
Statement of Operations Data:					
Total Revenues	$ 396,036	$ 325,530	$ 268,008	$ 247,129	$ 231,893
Interest Income	1,614	1,486	3,632	2,416	2,378
Mark-to-Market/(Loss) Gain on Settlement of Interest Rate Protection Agreements	(3,112)	811	1,583		
Property Expenses	(130,230)	(108,464)	(90,309)	(83,848)	(75,694)
General and Administrative Expense	(77,497)	(55,812)	(39,569)	(26,953)	(19,610)
Interest Expense	(121,141)	(108,339)	(98,636)	(94,895)	(90,017)
Amortization of Deferred Financing Costs	(2,666)	(2,125)	(1,931)	(1,764)	(1,925)
Depreciation and Other Amortization	(145,906)	(105,720)	(79,939)	(63,006)	(52,521)
Expenses from Build to Suit Development for Sale	(10,263)	(15,574)			
Gain (Loss) from Early Retirement from Debt(a)		82	(515)	(1,466)	(888)
Equity in Income of Joint Ventures	30,673	3,699	37,301	539	463
Income Tax Benefit	8,920	14,022	7,937	5,495	2,125
Minority Interest Allocable to Continuing Operations	9,795	7,980	2,034	5,239	4,660
(Loss) Income from Continuing Operations	(43,777)	(42,424)	9,596	(11,114)	864
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $213,442, $132,139, $88,245, $79,485 and $58,323 for the Years Ended	225,357	154,061	116,693	136,764	129,686

December 31, 2006, 2005, 2004, 2003 and 2002, respectively)					
Provision for Income Taxes Allocable to Discontinued Operations (Including $47,511, $20,529, $8,659, $2,154, and $1,538 allocable to Gain on Sale of Real Estate for the Years ended December 31, 2006, 2005, 2004, 2003 and 2002, respectively)	(50,140)	(23,583)	(11,005)	(3,689)	(2,680)
Minority Interest Allocable to Discontinued Operations	(22,796)	(17,171)	(14,500)	(19,602)	(19,025)
Gain on Sale of Real Estate	6,071	29,550	16,755	15,794	16,476
Provision for Income Taxes Allocable to Gain on Sale of Real Estate	(2,119)	(10,871)	(5,371)	(2,408)	(3,111)
Minority Interest Allocable to Gain on Sale of Real Estate	(514)	(2,458)	(1,562)	(1,972)	(2,002)
Net Income	112,082	87,104	110,606	113,773	120,208
Redemption of Preferred Stock	(672)		(7,959)		(3,707)
Preferred Dividends	(21,424)	(10,688)	(14,488)	(20,176)	(23,432)
Net Income Available to Common Stockholders	$ 89,986	$ 76,416	$ 88,159	$ 93,597	$ 93,069
Loss from Continuing Operations Available to Common Stockholders Per Weighted Average Common Share Outstanding:					
Basic	$ (1.42)	$ (0.87)	$ (0.07)	$ (0.52)	$ (0.38)
Diluted	$ (1.42)	$ (0.87)	$ (0.07)	$ (0.52)	$ (0.38)
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:					
Basic	$ 2.04	$ 1.80	$ 2.17	$ 2.43	$ 2.39
Diluted	$ 2.04	$ 1.80	$ 2.17	$ 2.43	$ 2.39
Distributions Per Share	$ 2.8100	$ 2.7850	$ 2.7500	$ 2.7400	$ 2.7250
Weighted Average Number of Common Shares Outstanding:					
Basic	44,012	42,431	40,557	38,542	38,927
Diluted	44,012	42,431	40,557	38,542	38,927
Net Income	$ 112,082	$ 87,104	$ 110,606	$ 113,773	$ 120,208
Other Comprehensive Income (Loss):					
Settlement of Interest Rate Protection Agreements	(1,729)		6,816		1,772

Reclassification of Settlement of Interest Rate Protection Agreements to Net Income		(159)			
Mark-to-Market of Interest Rate Protection Agreements and Interest Rate Swap Agreements	(2,800)	(1,414)	106	251	(126)
Amortization of Interest Rate Protection Agreements	(912)	(1,085)	(512)	198	176
Other Comprehensive Loss Allocable to Minority Interest	698	837			
Comprehensive Income	$ 107,339	$ 85,283	$ 117,016	$ 114,222	$ 122,030

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	Year Ended 12/31/06	Year Ended 12/31/05	Year Ended 12/31/04	Year Ended 12/31/03	Year Ended 12/31/02
	(In thousands, except per unit and property data)				
Balance Sheet Data (End of Period):					
Real Estate, Before Accumulated Depreciation	$ 3,219,728	$ 3,260,761	$ 2,856,474	$ 2,738,034	$ 2,697,269
Real Estate, After Accumulated Depreciation	2,754,310	2,850,195	2,478,091	2,388,782	2,388,781
Real Estate Held for Sale, Net	115,961	16,840	52,790		7,040
Total Assets	3,224,399	3,226,243	2,721,890	2,648,023	2,629,973
Mortgage Loans Payable, Net, Unsecured Lines of Credit and Senior Unsecured Debt, Net	1,834,658	1,813,702	1,574,929	1,453,798	1,442,149
Total Liabilities	2,048,873	2,020,361	1,719,463	1,591,732	1,575,586
Stockholders Equity	1,022,979	1,043,562	845,494	889,173	882,326
Other Data:					
Cash Flow From Operating Activities	$ 59,551	$ 49,350	$ 77,657	$ 103,156	$ 132,838
Cash Flow From Investing Activities	129,147	(371,654)	9,992	29,037	33,350
Cash Flow From Financing Activities	(180,800)	325,617	(83,546)	(131,372)	(166,188)
Total In-Service Properties	858	884	827	834	908
Total In-Service GLA, in Square Feet	68,610,505	70,193,161	61,670,735	57,925,466	59,979,894
In-Service Occupancy Percentage	94%	92%	90%	88%	90%

(a) In 2005, the Company wrote off $0.05 million of financing fees related to the Company s previous line of credit agreement, which was amended and restated on August 23, 2005. In addition, the Company paid $0.3 million of finance fees and wrote off a loan premium of $0.4 million on a mortgage loan payable which was assumed by the buyers of the related properties on July 13, 2005. In 2004, the Company paid off and retired a mortgage loan. The Company recorded a loss from the early retirement of debt in 2004 of approximately $0.5 million, which is comprised of the write-off of unamortized deferred financing costs and prepayment penalties. In 2003, the Company paid off and retired a mortgage loan. The Company recorded a loss from the early retirement of debt in 2003 of approximately $1.5 million, which is comprised of the write-off of unamortized deferred financing costs. In 2002, the Company paid off and retired senior unsecured debt. The Company recorded a loss from the early retirement of debt of approximately $0.9 million which is comprised of the amount paid above the carrying amount of the senior unsecured debt and the write-off of pro rata unamortized deferred financing costs and legal costs.

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

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

In addition, the following discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. The Company s abil predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to, changes in: economic conditions generally and the real estate market specifically, legislative/regulatory changes (including changes to laws governing the taxation of real estate investment trusts), availability of financing, interest rate levels, competition, supply and demand for industrial properties in the Company s current and proposed market areas, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs and changes in general accounting principles and policies and guidelines applicable to real estate investment trusts. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company s financial results, is included herein in Item 1A. Risk Factors, and in the Company s other filings with the SEC.

The Company was organized in the state of Maryland on August 10, 1993. The Company is a REIT, as defined in the Code. The Company began operations on July 1, 1994. The Company s interests in its properties and land parcels are held through (i) partnerships controlled by the Company, including First Industrial, L.P. (the Operating Partnership), of which the Company is the sole general partner, as well as, among others, First Industrial Financing Partnership, L.P., First Industrial Securities, L.P., First Industrial Mortgage Partnership, L.P., First Industrial Pennsylvania, L.P. (the Financing Partnership), First Industrial Harrisburg, L.P., First Industrial Indianapolis, L.P., FI Development Services, L.P. and TK-SV, LTD., as to each of which the sole general partner is a wholly-owned subsidiary of the Company (except in the case of the Financing Partnership in which case the Operating Partnership is also the general partner) and the sole limited partner is the Operating Partnership; (ii) limited liability companies, of which the Operating Partnership is the sole member; and (iii) First Industrial Investment, Inc., of which the Operating Partnership is the sole stockholder, all of whose operating data is consolidated with that of the Company as presented herein. The Company, through separate, wholly-owned limited liability companies of which the Operating Partnership or First Industrial Investment, Inc. is the sole member, also owns minority equity interests in, and provides services to, six joint ventures which invest in industrial properties (the September 1998 Joint Venture, the May 2003 Joint Venture, the March 2005 Joint Venture, the September 2005 Joint Venture, the March 2006 Co-Investment Program and the July 2006 Joint Venture). The Company, through a separate, wholly-owned limited liability company of which the Operating Partnership is also the sole member, also owned a minority interest in and provided property management services to a seventh joint venture which invested in industrial properties (the December 2001 Joint Venture ; together with the September 1998 Joint Venture, the May 2003 Joint Venture, the March 2005 Joint Venture, the September 2005 Joint Venture, the March 2006 Co-Investment Program and the July 2006 Joint Venture ; the Joint Ventures). During the year ended December 31, 2004, the December 2001 Joint Venture sold all of its industrial properties. On January 31, 2007, the Company purchased the 90% equity interest from the institutional investor in the September 1998 Joint Venture. The operating data of the Joint Ventures is not consolidated with that of the Company as presented herein.

Management believes the Company s financial condition and results of operations are, primarily, a function of the Company s and its joint ventures performance in four key areas: leasing of industrial properties, acquisition and development of additional industrial properties, redeployment of internal capital and access to external capital.

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

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

The Company also generates income from the sale of its and its joint ventures properties (including existing buildings, buildings which the Company or its joint ventures have developed or re-developed on a merchant basis, and land). The Company itself and through its various joint ventures is continually engaged in, and its income growth is dependent in part on, systematically redeploying capital from properties and other assets with lower yield potential into properties and other assets with higher yield potential. As part of that process, the Company and its joint ventures sell, on an ongoing basis, select stabilized properties or land or properties offering lower potential returns relative to their market value. The gain/loss on and fees from, the sale of such properties are included in the Company s income and are a significant source of funds, in addition to revenues generated from rental income and tenant recoveries, for the Company s distributions. Also, a significant portion of the Company s proceeds from such sales is used to fund the acquisition of existing, and the acquisition and development of new, industrial properties. The sale of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond the control of the Company. The sale of properties also entails various risks, including competition from other sellers and the availability of attractive financing for potential buyers of the Company s and its joint ventures properties. Further, the Company s ability to sell properties is limited by safe harbor rules applying to REITs under the Code which relate to the number of properties that may be disposed of in a year, their tax bases and the cost of improvements made to the properties, along with other tests which enable a REIT to avoid punitive taxation on the sale of assets. If the Company and its joint ventures were unable to sell properties on favorable terms, the Company s income growth would be limited and its financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, the Company s common stock would be adversely affected.

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

CRITICAL ACCOUNTING POLICIES

The Company s significant accounting policies are described in more detail in Note 3 to the consolidated financial statements. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

The Company maintains an allowance for doubtful accounts which is based on estimates of potential losses which could result from the inability of the Company s tenants to satisfy outstanding billings with the Company. The allowance for doubtful accounts is an estimate based on the Company s assessment of the creditworthiness of its tenants.

Properties are classified as held for sale when management of the Company have approved the sales of such properties. When properties are classified as held for sale, the Company ceases depreciating the properties and estimates the values of such properties and measures them at the lower of depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the Company decides not to sell a property previously classified as held for sale, the Company will reclassify such property as held and used. The Company estimates the value of such property and measures it at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. Fair value is determined by deducting from the estimated sales price of the property the estimated costs to close the sale.

The Company reviews its properties on a quarterly basis for possible impairment and provides a provision if impairments are determined. The Company utilizes the guidelines established under Financial Accounting Standards Board s (FASB) Statement of Financial Accounting Standards (FAS) No. 144, Accounting for the Impairment or Disposal of Long Lived Assets (FAS 144) to determine if impairment conditions exist. The Company reviews the expected undiscounted cash flows of each property to determine if there are any indications of impairment. If the expected undiscounted cash flows of a particular property are less than the net book basis of the property, the Company will recognize an impairment charge equal to the amount of carrying value of the property that exceeds the fair value of the property. Fair value is determined by discounting the future expected cash flows of the property. The calculation of the fair value involves subjective assumptions such as estimated occupancy, rental rates, ultimate residual value and the discount rate used to present value the cash flows.

The Company is engaged in the acquisition of individual properties as well as multi-property portfolios. In accordance with FAS No. 141, Business Combinations (FAS 141), the Company is required to allocate purchase price between land, building, tenant improvements, leasing commissions, intangible assets and above and below market leases. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management s estimate of fair market lease rents for each corresponding in-place lease. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental income. The Company also must allocate purchase price on multi-property portfolios to individual properties. The allocation of purchase price is based on the Company s assessment of various characteristics of the markets where the property is located and the expected cash flows of the property.

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

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

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2006 to Year Ended December 31, 2005

The Company s net income available to common stockholders was $90.0 million and $76.4 million for the years ended December 31, 2006 and 2005, respectively. Basic and diluted net income available to common stockholders were $2.04 and $2.04 per share, respectively, for the year ended December 31, 2006, and $1.80 and $1.80 per share, respectively, for the year ended December 31, 2005.

The tables below summarize the Company s revenues, property expenses and depreciation and other amortization by various categories for the years ended December 31, 2006 and December 31, 2005. Same store properties are in-service properties owned prior to January 1, 2005. Acquired properties are properties that were acquired subsequent to December 31, 2004. Sold properties are properties that were sold subsequent to December 31, 2004. Properties that are not in service are properties that are under construction that have not reached stabilized occupancy or were placed in service after December 31, 2004 or acquisitions made prior to January 1, 2005 that were not placed in service as of December 31, 2004. These properties are placed in service as they reach stabilized occupancy (generally defined as properties that are 90% leased). Other revenues are derived from the operations of the Company s maintenance company, fees earned from the Company s joint ventures, fees earned for developing properties for third parties and other miscellaneous revenues. Other expenses are derived from the operations of the Company s maintenance company and other miscellaneous regional expenses.

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

At December 31, 2006 and 2005, the occupancy rates of the Company s same store properties were 92.6% and 91.7%, respectively.

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	2006	2005	$ Change	% Change
		($ in 000 s)		
REVENUES				
Same Store Properties	$ 257,525	$ 255,963	$ 1,562	0.6%
Acquired Properties	95,957	18,565	77,392	416.9%
Sold Properties	27,738	79,826	(52,088)	(65.3)%
Properties Not In-service	22,217	18,789	3,428	18.2%
Other	30,048	19,118	10,930	57.2%
	433,485	392,261	41,224	10.5%
Discontinued Operations	(37,449)	(66,731)	29,282	(43.9)%
Total Revenues	$ 396,036	$ 325,530	$ 70,506	21.7%

Revenues from same store properties remained relatively unchanged. Revenues from acquired properties increased $77.4 million due to the 252 industrial properties totaling approximately 30.6 million square feet of GLA acquired subsequent to December 31, 2004. Revenues from sold properties decreased $52.1 million due to the 221 industrial properties totaling approximately 29.9 million square feet of GLA sold subsequent to December 31, 2004. Revenues from properties not in service increased by approximately $3.4 million due primarily to an increase in properties placed in service during 2006 and 2005. Other revenues increased by approximately $10.9 million due primarily to an increase in joint venture fees, partially offset by a decrease in assignment fees.

	2006	2005	$ Change	% Change
		($ in 000 s)		
PROPERTY EXPENSES				
Same Store Properties	$ 87,047	$ 85,220	$ 1,827	2.1%
Acquired Properties	31,380	5,688	25,692	451.7%
Sold Properties	8,270	34,959	(26,689)	(76.3)%
Properties Not In-service	9,512	9,005	507	5.6%
Other	15,429	11,321	4,108	36.3%
	151,638	146,193	5,445	3.7%
Discontinued Operations	(11,145)	(22,155)	11,010	(49.7)%
Total Property Expenses	$ 140,493	$ 124,038	$ 16,455	13.3%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance, other property related expenses and expenses from build to suit development for sale. Property expenses from same store properties increased $1.8 million or 2.1% primarily due to an increase of $1.1 million in utility expense attributable to increases in gas and electric costs and an increase of $0.8 million in real estate tax expense. Property expenses from acquired properties increased by $25.7 million primarily due to properties acquired subsequent to December 31, 2004 and due to an increase in build-to-suit-for-sale expenses of $10.3 million. Property expenses from sold properties decreased $26.7 million due to properties sold subsequent to December 31, 2004, and also due to a decrease in build-to-suit-for-sale expenses of $15.6 million. Property expenses from properties not in service increased by approximately $0.5 million due primarily to an increase in properties placed in service during 2006 and 2005. Other expenses increased $4.1 million due primarily to increases in employee compensation.

General and administrative expense increased by approximately $21.7 million, or 38.9%, due primarily to increases in employee compensation related to compensation for new employees as well as an increase in incentive compensation.

	2006	2005	$ Change	% Change
		($ in 000 s)		
DEPRECIATION AND OTHER AMORTIZATION				
Same Store Properties	$ 82,896	$ 84,009	$ (1,113)	(1.3)%
Acquired Properties	51,652	11,808	39,844	337.4%
Sold Properties	9,584	20,644	(11,060)	(53.6)%
Properties Not In-service and Other	14,250	10,169	4,081	40.1%
Corporate Furniture, Fixtures and Equipment	1,913	1,371	542	39.5%
	160,295	128,001	32,294	25.2%
Discontinued Operations	(14,389)	(22,281)	7,892	(35.4)%
Total Depreciation and Other Amortization	$ 145,906	$ 105,720	$ 40,186	38.0%

Depreciation and other amortization for same store properties remained relatively unchanged. Depreciation and other amortization from acquired properties increased by $39.8 million due to properties acquired subsequent to December 31, 2004. Depreciation and other amortization from sold properties decreased by $11.1 million due to properties sold subsequent to December 31, 2004. Depreciation and other amortization for properties not in service and other increased $4.1 million due primarily to accelerated depreciation on one property in Columbus, OH which was razed during the year ended December 31, 2006. Amortization of corporate furniture, fixtures and equipment increased $0.5 million primarily due to expansion and improvement to corporate offices.

Interest income remained relatively unchanged.

In April 2006, the Company, through the Operating Partnership, entered into interest rate protection agreements which it designated as cash flow hedges. Each of the interest rate protection agreements had a notional value of $74.8 million, were effective from May 10, 2007 through May 10, 2012, and fixed the LIBOR rate at 5.42%. In September 2006, the interest rate protection agreements failed to qualify for hedge accounting since the actual debt issuance date was not within the range of dates the Company disclosed in its hedge designation. The Company, through the Operating Partnership, settled the interest rate protection agreements and paid the counterparties $2.9 million. In October 2005, the Company, through an entity wholly-owned by the Operating Partnership, entered into an interest rate protection agreement which hedged the change in value of a build-to-suit development project the Company was constructing. This interest rate protection agreement did not qualify for hedge accounting. The Company recognized a loss of $0.2 million related to this interest rate protection agreement for the year ended December 31, 2006. Both transactions are recognized in the mark-to-market/(loss) gain on settlement of interest rate protection agreements caption on the consolidated statement of operations.

The Company recognized a $0.6 million gain related to the settlement/mark-to-market of two interest rate protection agreements the Company entered into during 2005 in order to hedge the change in value of a build-to-suit development project as well as $0.2 million in deferred gain that was reclassified out of other comprehensive income relating to a settled interest rate protection agreement that no longer qualified for hedge accounting.

Interest expense increased by approximately $12.8 million due primarily to an increase in the weighted average debt balance outstanding for the year ended December 31, 2006 ($1,880.3 million) as compared to the year ended

December 31, 2005 ($1,690.2 million), an increase in the weighted average interest rate for the year ended December 31, 2006 (6.72%) as compared to the year ended December 31, 2005 (6.63%), partially offset by an increase in capitalized interest for the year ended December 31, 2006 due to an increase in development activities.

Amortization of deferred financing costs increased by approximately $0.5 million, or 25.5%, due primarily to financing fees incurred associated with the amendment and restatement of the Company s

Unsecured Line of Credit I in August 2005, the issuance of the 2016 Notes in January 2006 and the issuance of the 2011 Exchangeable Notes in September 2006.

The Company recognized approximately $0.08 million of gain on the early retirement of debt for the year ended December 31, 2005, comprised of $0.05 million write-off of financing fees associated with the Company s previous line of credit agreement which was amended and restated on August 23, 2005. The gain on early retirement of debt also includes a payment of $0.3 million of fees and a write-off of loan premium of $0.4 million on a $13.7 million mortgage loan which was assumed by the buyers of the related properties on July 13, 2005.

Equity in income of joint ventures increased by approximately $27.0 million due primarily to the Company s economic share of gains and earn outs on property sales from the March 2005 Joint Venture and the September 2005 Joint Venture during the year ended December 31, 2006.

The income tax provision (included in continuing operations, discontinued operations and gain on sale) increased by $22.9 million, in the aggregate, due primarily to an increase in the gain on sale of real estate, joint venture fees, equity in net income of joint ventures, partially offset by an increase in interest expense and an increase in general and administrative expense within the Company s taxable REIT subsidiary.

The $6.1 million gain on sale of real estate for the year ended December 31, 2006 resulted from the sale of several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations. The $29.6 million gain on sale of real estate for the year ended December 31, 2005 resulted from the sale of 10 industrial properties and several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations.

The following table summarizes certain information regarding the industrial properties included in discontinued operations by the Company for the years ended December 31, 2006 and December 31, 2005.

	Year Ended December 31, 2006	Year Ended December 31, 2005
	($ in 000 s)	
Total Revenues	$ 37,449	$ 66,731
Property Expenses	(11,145)	(22,155)
Interest Expense		(373)
Depreciation and Amortization	(14,389)	(22,281)
Provision for Income Taxes Allocable to Operations	(2,629)	(3,054)
Gain on Sale of Real Estate	213,442	132,139
Provision for Income Taxes Allocable to Gain on Sale	(47,511)	(20,529)
Income from Discontinued Operations	$ 175,217	$ 130,478

Income from discontinued operations, net of income taxes, for the year ended December 31, 2006 reflects the results of operations and gain on sale of real estate of $213.4 million relating to 125 industrial properties that were sold during the year ended December 31, 2006 and the results of operations of 25 properties that were identified as held for sale at December 31, 2006.

Income from discontinued operations, net of income taxes, for the year ended December 31, 2005 reflects the results of operations of industrial properties that were sold during the year ended December 31, 2006, 25 properties that were identified as held for sale at December 31, 2006, the results of operations and gain on sale of real estate of $132.1 million from the 86 industrial properties which were sold during the year ended December 31, 2005.

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Comparison of Year Ended December 31, 2005 to Year Ended December 31, 2004

The Company s net income available to common stockholders was $76.4 million and $88.2 million for the years ended December 31, 2005 and 2004, respectively. Basic and diluted net income available to common stockholders were $1.80 and $1.80 per share, respectively, for the year ended December 31, 2005, and $2.17 and $2.17 per share, respectively, for the year ended December 31, 2004.

The tables below summarize the Company s revenues, property expenses and depreciation and other amortization by various categories for the years ended December 31, 2005 and December 31, 2004. Same store properties are in-service properties owned prior to January 1, 2004. Acquired properties are properties that were acquired subsequent to December 31, 2003. Sold properties are properties that were sold subsequent to December 31, 2003. Properties that are not in service are properties that are under construction that have not reached stabilized occupancy or were placed in service after December 31, 2003 or acquisitions made prior to January 1, 2004 that were not placed in service as of December 31, 2003. These properties are placed in service as they reach stabilized occupancy (generally defined as properties that are 90% leased). Other revenues are derived from the operations of the Company s maintenance company, fees earned from the Company s joint ventures, fees earned for developing properties for third parties and other miscellaneous revenues. Other expenses are derived from the operations of the Company s maintenance company and other miscellaneous regional expenses.

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

At December 31, 2005 and 2004, the occupancy rates of the Company s same store properties were 90.1% and 89.5%, respectively.

	2005	2004	$ Change	% Change
		($ in 000 s)		
REVENUES				
Same Store Properties	$ 251,046	$ 249,309	$ 1,737	0.7%
Acquired Properties	55,098	11,912	43,186	362.5%
Sold Properties	24,482	49,395	(24,913)	(50.4)%
Properties Not In-service	42,199	23,617	18,582	78.7%
Other	19,436	8,880	10,556	118.9%
	392,261	343,113	49,148	14.3%
Discontinued Operations	(66,731)	(75,105)	8,374	11.1%
Total Revenues	$ 325,530	$ 268,008	$ 57,522	21.5%

Revenues from same store properties remained relatively unchanged. Revenues from acquired properties increased $43.2 million due to the 240 industrial properties totaling approximately 29.3 million square feet of GLA acquired subsequent to December 31, 2003. Revenues from sold properties decreased $24.9 million due to the 193 industrial properties totaling approximately 20.2 million square feet of GLA sold subsequent to December 31, 2003. Revenues from properties not in service increased by approximately $18.6 million due primarily to build-to-suit-for-sale revenues of $16.2 million. Other revenues increased by approximately $10.6 million due primarily to an increase in joint venture fees due to new joint ventures and assignment fees.

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	2005	2004	$ Change	% Change
		($ in 000 s)		
PROPERTY EXPENSES				
Same Store Properties	$ 83,636	$ 80,051	$ 3,585	4.5%
Acquired Properties	15,702	3,756	11,946	318.1%
Sold Properties	8,823	16,661	(7,838)	(47.0)%
Properties Not In-service	26,161	8,739	17,422	199.4%
Other	11,871	6,543	5,328	81.4%
	146,193	115,750	30,443	26.3%
Discontinued Operations	(22,155)	(25,441)	3,286	(12.9)%
Total Property Expenses	$ 124,038	$ 90,309	$ 33,729	37.3%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance, other property related expenses and expenses from build to suit development for sale. Property expenses from same store properties increased $3.6 million or 4.5% primarily due to an increase of $0.9 million in utility expense attributable to increases in gas and electric costs, an increase of $1.3 million in repair and maintenance attributable to increases in snow removal expense and an increase of $0.9 million in real estate tax expense. Property expenses from acquired properties increased by $11.9 million due to properties acquired subsequent to December 31, 2003. Property expenses from sold properties decreased by $7.8 million due to properties sold subsequent to December 31, 2003. Property expenses from properties not in service increased by approximately $17.4 million due primarily to build-to-suit-for-sale costs of $15.6 million. Other expenses increased $5.3 million due primarily to increases in employee compensation.

General and administrative expense increased by approximately $16.2 million, or 41.0%, due primarily to increases in employee compensation related to compensation for new employees as well as an increase in incentive compensation.

	2005	2004	$ Change	% Change
		($ in 000 s)		
DEPRECIATION AND OTHER AMORTIZATION				
Same Store Properties	$ 77,329	$ 72,016	$ 5,313	7.4%
Acquired Properties	29,278	3,797	25,481	671.1%
Sold Properties	7,795	13,713	(5,918)	(43.2)%
Properties Not In-service and Other	12,228	9,740	2,488	25.5%
Corporate Furniture, Fixtures and Equipment	1,371	1,280	91	7.1%
	128,001	100,546	27,455	27.3%
Discontinued Operations	(22,281)	(20,607)	(1,674)	8.1%
Total Depreciation and Other Amortization	$ 105,720	$ 79,939	$ 25,781	32.3%

The increase in depreciation and other amortization for same store properties is due to an acceleration of depreciation and amortization on tenant improvements and leasing commissions for tenants who terminated leases early, an acceleration of amortization on in-place lease values related to leases for which the tenants did not renew and a net increase in leasing commissions and tenant improvements paid in 2005 and 2004. Depreciation and other amortization from acquired properties increased by $25.5 million due to properties acquired subsequent to December 31, 2003. Depreciation and other amortization from sold properties decreased by $5.9 million due to properties sold subsequent to December 31, 2003. Depreciation and other amortization for properties not in service and other increased $2.5 million due to developments substantially completed in 2004 and 2005. Amortization of corporate furniture, fixtures and equipment remained relatively unchanged.

Interest income decreased by approximately $2.1 million due primarily to a decrease in the average mortgage loans receivable outstanding during the year ended December 31, 2005, as compared to the year ended December 31, 2004.

The Company recognized a $0.6 million gain related to the settlement/mark-to-market of two interest rate protection agreements that the Company entered into during 2005 in order to hedge the change in value of a build to suit development project as well as $0.2 million in deferred gain that was reclassified out of other comprehensive income relating to a settled interest rate protection agreement that no longer qualified for hedge accounting.

In March 2004, the Company, through the Operating Partnership, entered into an interest rate protection agreement which fixed the interest rate on a forecasted offering of unsecured debt which it designated as a cash flow hedge. This interest rate protection agreement had a notional value of $73.5 million. In May 2004, the Company reduced the projected amount of the future debt offering and settled $24.5 million of this interest rate protection agreement for proceeds in the amount of $1.5 million which is recognized in net income for the year ended December 31, 2004. In November 2004, the Company settled an interest rate protection agreement for $0.3 million that had been designated as a cash flow hedge of $50.0 million of a forecasted debt issuance. Hedge ineffectiveness in the amount of $0.1 million, due to a mismatch in the forecasted debt issuance dates, was recognized in net income. The remaining $0.2 million was included in other comprehensive income and was reclassified into net income for the year ended December 31, 2005 as the hedge no longer qualified for hedge accounting.

Interest expense increased by approximately $9.7 million due primarily to an increase in the weighted average debt balance outstanding for the year ended December 31, 2005 ($1,690.2 million) as compared to the year ended December 31, 2004 ($1,522.9 million), an increase in the weighted average interest rate for the year ended December 31, 2005 (6.63%) as compared to the year ended December 31, 2004 (6.60%), partially offset by an increase in capitalized interest for the year ended December 31, 2005 due to an increase in development activities.

Amortization of deferred financing costs remained relatively unchanged.

The Company recognized a $0.08 million gain on the early retirement of debt for the year ended December 31, 2005. This includes $0.05 million write-off of financing fees associated with the Company s previous line of credit agreement which was amended and restated on August 23, 2005. The gain on early retirement of debt also includes a payment of $0.3 million of fees and a write-off of loan premium of $0.4 million on a $13.7 million mortgage loan which was assumed by the buyers of the related properties on July 13, 2005. The loss on early retirement of debt of approximately $0.5 million for the year ended December 31, 2004 is comprised of the write-off of unamortized deferred financing costs, a loan premium and a prepayment penalty related to the early pay off and retirement of a $4.8 million mortgage loan.

Equity in income of joint ventures decreased by approximately $33.6 million due primarily to the Company s allocation of gain and earn out from the sale of all the properties in the December 2001 Joint Venture and the Company s recognition of the deferred gain on its initial sale of certain properties to the December 2001 Joint Venture recognized in the year ended December 31, 2004.

The income tax provision (included in continuing operations, discontinued operations and gain on sale) increased by $12.0 million, in the aggregate, due primarily to an increase in the gain on sale of real estate and joint venture fees partially offset by an increase in general and administrative expense and interest expense in the Company s taxable REIT subsidiary.

The $29.6 million gain on sale of real estate for the year ended December 31, 2005 resulted from the sale of ten industrial properties and several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations. The $16.8 million gain on sale of real estate for the year ended December 31, 2004 resulted from the sale of five industrial properties and several land parcels that do not meet the criteria established by FAS 144 for inclusion in discontinued operations.

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The following table summarizes certain information regarding the industrial properties included in discontinued operations by the Company for the years ended December 31, 2005 and December 31, 2004.

	Year Ended December 31, 2005	Year Ended December 31, 2004
	($ in 000 s)	
Total Revenues	$ 66,731	$ 75,105
Property Expenses	(22,155)	(25,441)
Interest Expense	(373)	(609)
Depreciation and Amortization	(22,281)	(20,607)
Provision for Income Taxes Allocable to Operations	(3,054)	(2,346)
Gain on Sale of Real Estate	132,139	88,245
Provision for Income Taxes Allocable to Gain on Sale	(20,529)	(8,659)
Income from Discontinued Operations	$ 130,478	$ 105,688

Income from discontinued operations, net of income taxes, for the year ended December 31, 2005 reflects the results of operations of industrial properties that were sold during the year ended December 31, 2006, the results of operations and gain on sale of real estate of $132.1 million relating to 86 industrial properties that were sold during the year ended December 31, 2005 and the results of operations of 25 properties that were identified as held for sale at December 31, 2006.

Income from discontinued operations, net of income taxes, for the year ended December 31, 2004 reflects the results of operations of industrial properties that were sold during the year ended December 31, 2006 and 2005, 25 properties that were identified as held for sale at December 31, 2006, the results of operations of industrial properties that were sold during the year ended December 31, 2004, as well as the gain on sale of real estate of $88.2 million from the 92 industrial properties which were sold during the year ended December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2006, the Company s cash and cash equivalents was approximately $16.1 million and restricted cash was approximately $16.0 million. Restricted cash is primarily comprised of gross proceeds from the sales of certain industrial properties. These sales proceeds will be disbursed as the Company exchanges industrial properties under Section 1031 of the Internal Revenue Code.

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flow from operations and other expected liquidity sources to meet these needs. The Company s 7.6% Notes due 2007, with an aggregate principal amount of $150.0 million, are due on May 15, 2007. The Company expects to satisfy the maturity of the 2007 Notes with the issuance of additional debt. With the exception of the 2007 Notes, the Company believes that its principal short-term liquidity needs are to fund normal recurring expenses, debt service requirements and the minimum distribution required to maintain the Company s REIT qualification under the Code. The Company anticipates that these needs will be met with cash flows provided by operating activities.

The Company expects to meet long-term (greater than one year) liquidity requirements such as property acquisitions, developments, scheduled debt maturities, major renovations, expansions and other nonrecurring capital improvements through the disposition of select assets, the issuance of long-term unsecured indebtedness and the issuance of additional equity securities. As of December 31, 2006 and February 22, 2007, $215.4 million of common stock, preferred stock and depositary shares and approximately $300.0 million of debt securities were registered and unissued under the Securities Act of 1933, as amended. The Company also may finance the development or acquisition of additional properties through borrowings under the Unsecured Line of Credit I. At December 31, 2006, borrowings under the Unsecured Line of Credit I bore interest at a weighted average interest rate of 6.058%. The Unsecured Line of Credit bear interest at a floating rate of LIBOR plus .625% or the Prime Rate, at the Company s election. As of February 22, 2007, the Company had approximately $210.6 million available in additional borrowings under the Unsecured Line of Credit I. The Unsecured Line of Credit I contains certain financial covenants relating to debt service coverage, market value net worth, dividend payout ratio and total funded indebtedness. The Company s access to borrowings may be limited if it fails to meet any of these covenants. Also, the Company s borrowing rate on its Unsecured Line of Credit I may increase in the event of a downgrade on the Company s unsecured notes by the rating agencies.

The Company currently has credit ratings from Standard & Poor s, Moody s and Fitch Ratings of BBB/Baa2/BBB, respectively. The Company s goal is to maintain its existing credit ratings. In the event of a downgrade, management believes the Company would continue to have access to sufficient capital; however, the Company s cost of borrowing would increase and its ability to access certain financial markets may be limited.

Year Ended December 31, 2006

Net cash provided by operating activities of approximately $59.6 million for the year ended December 31, 2006 was comprised primarily of net income before minority interest of approximately $125.6 million and net distributions from joint ventures of $1.0 million, offset by the net change in operating assets and liabilities of approximately $4.6 million and adjustments for non-cash items of approximately $62.4 million. The adjustments for the non-cash items of approximately $62.4 million are primarily comprised of the gain on sale of real estate of approximately $219.5 million and the effect of the straight-lining of rental income of approximately $10.2 million, offset by depreciation and amortization of approximately $165.0 million and the provision for bad debt of $2.3 million.

Net cash provided by investing activities of approximately $129.1 million for the year ended December 31, 2006 was comprised primarily of the net proceeds from the sale of real estate, the repayment of mortgage loans receivable, decrease in restricted cash that is held by an intermediary for Section 1031 exchange purposes, and distributions from the Company s industrial real estate joint ventures, partially offset by the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate, contributions to, and investments in, the Company s industrial real estate joint ventures.

During the year ended December 31, 2006, the Company acquired 91 industrial properties comprising approximately 10.5 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled approximately $610.7 million, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels. The Company also substantially completed the development of 15 industrial properties comprising approximately 5.0 million square feet of GLA at an estimated cost of approximately $188.6 million.

The Company, through wholly-owned limited liability companies in which the Operating Partnership is the sole member, contributed approximately $32.8 million to, and received distributions of approximately $51.4 million from, the Company s industrial real estate joint ventures. As of December 31, 2006, the Company s industrial real estate joint ventures owned 255 industrial properties comprising approximately 26.0 million square feet of GLA.

During the year ended December 31, 2006, the Company sold 125 industrial properties comprising approximately 17.1 million square feet of GLA and several land parcels. Gross proceeds from the sales of the 125 industrial properties and several land parcels were approximately $946.8 million.

Net cash used in financing activities of approximately $180.8 million for the year ended December 31, 2006 was derived primarily by the redemption of preferred stock, common and preferred stock dividends and unit distributions, net repayments under the Company s Unsecured Lines of Credit, the repayments of senior unsecured debt, the repurchase of restricted stock from employees of the Company to pay for withholding taxes on the vesting of restricted stock and repayments on mortgage loans payable, partially offset by the net

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proceeds from the issuance of senior unsecured debt and preferred stock and the net proceeds from the exercise of stock options.