

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**

- b 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**  
*(State or other jurisdiction of  
incorporation or organization)*

**36-3935116**  
*(I.R.S. Employer  
Identification No.)*

**311 S. Wacker Drive,**  
**Suite 4000, Chicago, Illinois**  
*(Address of principal executive offices)*

**60606**  
*(Zip Code)*

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

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

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

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

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

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

**None**

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

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  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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  Accelerated filer  Non-accelerated filer

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately \$1,648.6 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.

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The Company maintains a website at [www.firstindustrial.com](http://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](http://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.

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*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

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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

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(\$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



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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

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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.

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***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.

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***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,

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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

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**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**

Metropolitan Area	Light Industrial		R&D/Flex		Bulk Warehouse		Regional Warehouse		Manufacturing	
	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties
Atlanta, GA(a)	789,082	13	206,826	5	2,620,959	12	455,935	6	747,950	
Baltimore, MD	918,062	15	169,660	5	910,735	4			171,000	
Chattanooga, TN	923,242	9			897,000	3	117,599	3		
Chicago, IL	1,104,890	19	174,198	3	2,898,661	15	198,131	4	421,000	
Cincinnati, OH	436,389	4			1,765,130	8	79,800	1		
Cleveland, OH	64,000	1			608,740	4				
Columbus, OH(c)	217,612	2			2,442,967	7	98,800	1		
Dallas, TX	1,811,665	45	454,963	18	2,637,371	18	677,433	10	128,478	
Denver, CO	1,543,666	29	1,527,480	37	1,499,976	9	521,664	8	126,384	
Des Moines, IA					150,444	1	88,000	1		
Detroit, MI	2,380,894	86	532,376	16	530,843	5	759,851	18	116,250	
Grand Rapids, MI	61,250	1								
Houston, TX	449,325	6			2,233,064	13	437,088	6		
Indianapolis, IN(d,e,f,g)	889,600	18	108,200	4	3,728,421	15	323,610	8	71,600	
Los Angeles, CA	451,760	6			329,664	3	120,162	2		
Louisville, KY					443,500	2				
Madison, WI	263,567	6	93,705	2	838,129	6	129,557	2		
Minneapolis/St. Paul, MN(i,j)	1,626,304	20	524,265	7	1,902,386	9	321,805	4	994,077	
Memphis, TN	273,843	5			1,588,813	7			109,058	
New Jersey	1,200,856	21	413,167	7	555,205	4	58,585	1		
Philadelphia, PA	878,456	18	127,802	5	221,937	2	160,828	3	30,000	
Phoenix, AZ	135,415	6			131,000	1	588,520	8		
Pittsburgh, PA	601,051	33	146,937	6	834,693	5	82,704	1		
San Diego, CA	112,773	5			397,967	2	274,042	7		
New Jersey(k)	1,386,577	21	23,050	1			118,496	2	22,738	
St. Louis, MO(l)	545,747	7			1,887,790	8	96,392	1		
Tampa, FL(m)	493,029	12	759,328	31	209,500	1				
Washington, DC(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.

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- (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**

Metropolitan Area	GLA	Number of Properties(b)	Totals	
			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%

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Total or Average	68,610,495	858	94%	100.0%
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- (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.



**Table of Contents****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:

<b>Metropolitan Area</b>	<b>Number of Properties</b>	<b>GLA</b>	<b>Property Type</b>	<b>Average Occupancy at 12/31/2006(b)</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%
<b>Total</b>	<b>91</b>	<b>10,493,791</b>		

(a) Property was sold in 2006.

- (b) Includes only in-service properties.
- (c) Properties are located in Omaha, NE, and Ajax, ON.

**Table of Contents****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:

<b>Metropolitan Area</b>	<b>GLA</b>	<b>Property Type</b>	<b>Average Occupancy at 12/31/06</b>
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%
<b>Total</b>	<b>5,041,701</b>		

(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.

**Table of Contents****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:

<b>Metropolitan Area</b>	<b>Number of Properties</b>	<b>GLA</b>	<b>Property Type</b>
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
<b>Total</b>	<b>125</b>	<b>17,113,078</b>	

(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.

**Table of Contents****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.

<b>Year of Expiration(1)</b>	<b>Number of Leases Expiring</b>	<b>GLA Expiring(2)</b>	<b>Percentage of GLA Expiring (In thousands)</b>	<b>Annual Base Rent Under Expiring Leases</b>	<b>Percentage of Total Annual Base Rent Expiring(2)</b>
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%
<b>Total</b>	<b>2,593</b>	<b>64,600,041</b>	<b>100.0%</b>	<b>\$ 286,060</b>	<b>100.0%</b>

(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.

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

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

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>	<b>Distribution Declared</b>
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.

**Table of Contents****Equity Compensation Plans**

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

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans</b>
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.

**Table of Contents****Performance Graph\***

The following graph provides a comparison of the cumulative total stockholder return among the Company, the NAREIT Equity REIT Total Return Index (the NAREIT Index), 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\***

	<b>12/01</b>	<b>12/02</b>	<b>12/03</b>	<b>12/04</b>	<b>12/05</b>	<b>12/06</b>
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.

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

The following sets forth selected financial and operating data for the Company on a historical consolidated basis. The following data should be read in conjunction with the 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.

	<b>Year Ended 12/31/06</b>	<b>Year Ended 12/31/05</b>	<b>Year Ended 12/31/04</b>	<b>Year Ended 12/31/03</b>	<b>Year Ended 12/31/02</b>
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**(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 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

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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)

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
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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
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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
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Other Comprehensive Income (Loss):  
Settlement of Interest Rate Protection Agreements

(1,729)		6,816		1,772
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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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	<b>Year Ended 12/31/06</b>	<b>Year Ended 12/31/05</b>	<b>Year Ended 12/31/04</b>	<b>Year Ended 12/31/03</b>	<b>Year Ended 12/31/02</b>
<b>(In thousands, except per unit and property data)</b>					
<b>Balance Sheet Data</b>					
<b>(End of Period):</b>					
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
<b>Other Data:</b>					
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 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 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.



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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.



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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

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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

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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 (\$ in 000 s)	% Change
<b>REVENUES</b>				
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 (\$ in 000 s)	% Change
<b>PROPERTY EXPENSES</b>				
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.

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	2006	2005	\$ Change (\$ in 000 s)	% Change
<b>DEPRECIATION AND OTHER AMORTIZATION</b>				
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

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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.

	<b>Year Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>(\$ in 000 s)</b>	
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.

**Table of Contents****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.

	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(\$ in 000 s)</b>			
<b>REVENUES</b>				
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 (\$ in 000 s)	% Change
<b>PROPERTY EXPENSES</b>				
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 (\$ in 000 s)	% Change
<b>DEPRECIATION AND OTHER AMORTIZATION</b>				
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.

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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.

	<b>Year Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
	(\$ 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

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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.

For the year ended December 31, 2006, certain directors and employees of the Company exercised 125,780 non-qualified employee stock options. Net proceeds to the Company were approximately \$3.7 million.

During the year ended December 31, 2006, the Company awarded 303,142 shares of restricted common stock to certain employees and 16,232 shares of restricted common stock to certain directors. These shares of restricted common stock had a fair value of approximately \$12.2 million on the date of grant. The restricted common stock vests over a period of three years for awards granted to employees and generally over a period of five years for awards granted to directors. Compensation expense will be charged to earnings over the respective vesting periods.

On January 10, 2006, the Company, through the Operating Partnership, paid off and retired the 2005 Unsecured Line of Credit II, which had a borrowing capacity of \$125.0 million and matured on March 15, 2006.

On January 10, 2006, the Company, through the Operating Partnership, issued the 2016 Notes. Net of offering costs, the Company received net proceeds of \$197.5 million from the issuance of 2016 Notes. 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.

On January 13, 2006, the Company redeemed the Series I Preferred Stock for \$242,875.00 per share, and paid a prorated first quarter dividend of \$470.667 per share, totaling approximately \$0.4 million. The Operating Partnership also redeemed the Series I Preferred Units.

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 September 25, 2006, the Company, through the Operating Partnership issued \$175.0 million of senior unsecured debt which bears interest at 4.625% (the Exchangeable Notes). Under certain circumstances, the holders of the 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 \$25,000 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 \$25,000 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 \$200,000. 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.



**Table of Contents****Contractual Obligations and Commitments**

The following table lists our contractual obligations and commitments as of December 31, 2006 (In thousands):

	<b>Total</b>	<b>Less Than 1 Year</b>	<b>Payments Due by Period</b>		
			<b>1-3 Years</b>	<b>3-5 Years</b>	<b>Over 5 Years</b>
Operating and Ground Leases*	\$ 41,649	\$ 2,561	\$ 4,417	\$ 3,504	\$ 31,167
Real Estate Development*	101,050	101,050			
Long-term Debt	1,847,077	152,884	343,112	422,905	928,176
Interest Expense on Long-Term Debt*	921,160	100,967	189,078	162,359	468,756
<b>Total</b>	<b>\$ 2,910,936</b>	<b>\$ 357,462</b>	<b>\$ 536,607</b>	<b>\$ 588,768</b>	<b>\$ 1,428,099</b>

\* Not on balance sheet.

**Off-Balance Sheet Arrangements**

Letters of credit are issued in most cases as pledges to governmental entities for development purposes or to support purchase obligations. At December 31, 2006, the Company has \$9.0 million in outstanding letters of credit, none of which are reflected as liabilities on the Company's balance sheet. The Company has no other off-balance sheet arrangements other than those disclosed on the Contractual Obligations and Commitments table above.

**Environmental**

The Company incurred environmental costs of approximately \$0.6 million and \$0.4 million in 2006 and 2005, respectively. The Company estimates 2007 costs of approximately \$0.7 million. The Company estimates that the aggregate cost which needs to be expended in 2007 and beyond with regard to currently identified environmental issues will not exceed approximately \$2.0 million, a substantial amount of which will be the primary responsibility of the tenant, the seller to the Company or another responsible party.

**Inflation**

For the last several years, inflation has not had a significant impact on the Company because of the relatively low inflation rates in the Company's markets of operation. Most of the Company's leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. In addition, many of the outstanding leases expire within six years which may enable the Company to replace existing leases with new leases at higher base rentals if rents of existing leases are below the then-existing market rate.

**Market Risk**

The following discussion about the Company's risk-management activities includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking

statements.

This analysis presents the hypothetical gain or loss in earnings, cash flows or fair value of the financial instruments and derivative instruments which are held by the Company at December 31, 2006 that are sensitive to changes in the interest rates. While this analysis may have some use as a benchmark, it should not be viewed as a forecast.

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In the normal course of business, the Company also faces risks that are either non-financial or non-quantifiable. Such risks principally include credit risk and legal risk and are not represented in the following analysis.

At December 31, 2006, \$1,627.7 million (approximately 88.7% of total debt at December 31, 2006) of the Company's debt was fixed rate debt and \$207.0 million (approximately 11.3% of total debt at December 31, 2006) was variable rate debt. Currently, the Company does not enter into financial instruments for trading or other speculative purposes.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not earnings or cash flows of the Company. Conversely, for variable rate debt, changes in the interest rate generally do not impact the fair value of the debt, but would affect the Company's future earnings and cash flows. The interest rate risk and changes in fair market value of fixed rate debt generally do not have a significant impact on the Company until the Company is required to refinance such debt. See Note 5 to the consolidated financial statements for a discussion of the maturity dates of the Company's various fixed rate debt.

Based upon the amount of variable rate debt outstanding at December 31, 2006, a 10% increase or decrease in the interest rate on the Company's variable rate debt would decrease or increase, respectively, future net income and cash flows by approximately \$1.3 million per year. A 10% increase in interest rates would decrease the fair value of the fixed rate debt at December 31, 2006 by approximately \$55.2 million to \$1,659.9 million. A 10% decrease in interest rates would increase the fair value of the fixed rate debt at December 31, 2006 by approximately \$59.1 million to \$1,774.2 million.

The use of derivative financial instruments allows the Company to manage risks of increases in interest rates with respect to the effect these fluctuations would have on our earnings and cash flows. As of December 31, 2006, we had two outstanding interest rate swaps with aggregate notional amount of \$145.8 million which fix the interest rate on a forecasted offering of debt.

## **Subsequent Events**

On January 2, 2007, the Company paid fourth quarter 2006 dividends of \$53.91 per share (\$0.5391 per Depositary Share) on its Series C Preferred Stock, totaling, in the aggregate, approximately \$1.1 million; 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; and a dividend of \$4,531.30 per share (\$0.4531 per Depositary Share) on its Series K Preferred Stock, totaling, in the aggregate, approximately \$0.9 million.

On January 22, 2007, the Company and the Operating Partnership paid a fourth quarter 2006 distribution of \$.7100 per share, totaling approximately \$36.6 million.

On February 28, 2007, the Company declared a first quarter 2007 distribution of \$.7100 per common share/unit on its common stock/units which is payable on April 16, 2007. The Company also declared first quarter 2007 dividends 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; semi-annual dividends 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; semi-annual dividends 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, which is payable on April 2, 2007; and a dividend of \$4,531.30 per share (\$0.4531 per Depositary Share) on its Series K Preferred Stock, totaling, in the aggregate, approximately \$0.9 million, which is payable on April 2, 2007.

From January 1, 2007 to February 22, 2007, the Company awarded 1,598 shares of restricted common stock to certain Directors. These shares of restricted common stock had a fair value of approximately \$0.1 million on the date of grant. The restricted common stock vests over a period of five years. Compensation expense will be charged to earnings over the respective vesting period.

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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.

## **Related Party Transactions**

The Company periodically engages in transactions for which CB Richard Ellis, Inc. acts as a broker. A relative of Michael W. Brennan, the President and Chief Executive Officer and a director of the Company, is an employee of CB Richard Ellis, Inc. For the years ended December 31, 2006, 2005 and 2004 this relative received approximately \$0.3, \$0.3, and \$0.03 million in brokerage commissions.

## **Other**

In February 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 155, *Accounting for Certain Hybrid Financial Instruments* which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This statement:

- a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;
- b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133;
- c. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;
- d. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and
- e. Amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* which amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, ( FAS 140 ) with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement was issued to simplify the accounting for servicing rights and reduce the volatility that results from the use of different measurements attributes for servicing rights and the related financial instruments used to economically hedge risks associated with those servicing rights. The statement clarifies when to separately account for servicing rights, requires separately recognized servicing rights to be initially measured at fair value, and provides the option to subsequently account for those servicing rights at either fair value or under the amortization method previously required under FAS 140. An entity should adopt this statement as of the beginning of its first fiscal year that begins

after September 15, 2006. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

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In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes*. The evaluation of a tax position in accordance with FIN 48 is a two-step process. First, the Company determines whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. Second, a tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent reporting period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent reporting period in which the threshold is no longer met. The Company is required to apply the guidance of FIN 48 beginning January 1, 2007. The Company is currently evaluating what impact the application of FIN 48 will have on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* which establishes a common definition of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

In December 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force ( EITF ) regarding EITF 00-19-2, *Accounting for Registration Payment Arrangements*. The guidance specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. The guidance is effective for periods beginning after December 15, 2006. EITF 00-19-2 is not expected to impact the Company's results of operations, financial position, or liquidity.

**Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

Response to this item is included in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations above.

**Item 8. *Financial Statements and Supplementary Data***

See Index to Financial Statements and Financial Statement Schedule on page 55 included in Item 15.

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

None.

**Item 9A. *Controls and Procedures***

**Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's periodic reports pursuant to the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that

such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based upon this evaluation,



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the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making its assessment of internal control over financial reporting, management used the criteria described in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management of the Company has concluded that, as of December 31, 2006, the Company's internal control over financial reporting was effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein within Item 15. See Report of Independent Registered Public Accounting Firm on page 56-57.

**Changes in Internal Control Over Financial Reporting**

There has been no change in the Company's internal control over financial reporting that occurred during the fourth quarter of 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. *Other Information***

None.

**PART III**

**Item 10, 11, 12, 13 and 14. *Directors, Executive Officers and Corporate Governance, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Certain Relationships and Related Transactions and Director Independence and Principal Accountant Fees and Services***

The information required by Item 10, Item 11, Item 12, Item 13 and Item 14 is hereby incorporated or furnished, solely to the extent required by such item, from the Company's definitive proxy statement, which is expected to be filed with the SEC no later than 120 days after the end of the Company's fiscal year. Information from the Company's definitive proxy statement shall not be deemed to be filed or soliciting material, or subject to liability for purposes of Section 18 of the Securities Exchange Act of 1934 to the maximum extent permitted under the Exchange Act.

**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

(a) *Financial Statements, Financial Statement Schedule and Exhibits*

(1 & 2) See Index to Financial Statements and Financial Statement Schedule on page 55.

**Table of Contents****(3) Exhibits:**

<b>Exhibits</b>	<b>Description</b>
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.2	Amended and Restated Bylaws of the Company, dated September 4, 1997 (incorporated by reference to Exhibit 1 of the Company's Form 8-K, dated September 4, 1997, as filed on September 29, 1997, File No. 1-13102)
3.3	Articles of Amendment to the Company's Articles of Incorporation, dated June 20, 1994 (incorporated by reference to Exhibit 3.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.4	Articles of Amendment to the Company's Articles of Incorporation, dated May 31, 1996 (incorporated by reference to Exhibit 3.3 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.5	Articles Supplementary relating to the Company's 85/8% Series C Cumulative Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company dated June 6, 1997, File No. 1-13102)
3.6	Articles Supplementary relating to the Company's 6.236% Series F Flexible Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 3.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
3.7	Articles Supplementary relating to the Company's 7.236% Series G Flexible Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 3.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
3.8	Articles Supplementary relating to the Company's Junior Participating Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.10 of Form S-3 of the Company and First Industrial, L.P. dated September 24, 1997, Registration No. 333-29879)
3.9	Articles Supplementary relating to the Company's 7.25% Series J Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company filed January 17, 2006, File No. 1-13102)
3.10	Articles Supplementary relating to the Company's 7.25% Series K Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 1.6 of the Form 8-A of the Company, as filed on August 18, 2006, File No. 1-13102)
4.1	Deposit Agreement, dated June 6, 1997, by and among the Company, First Chicago Trust Company of New York and holders from time to time of Series C Depositary Receipts (incorporated by reference to Exhibit 4.2 of the Form 8-K of the Company, dated June 6, 1997, File No. 1-13102)
4.2	Deposit Agreement, dated May 27, 2004, by and among the Company, EquiServe Inc. and EquiServe Trust Company, N.A. and holders from time to time of Series F Depositary Receipts (incorporated by reference to Exhibit 4.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
4.3	Deposit Agreement, dated May 27, 2004, by and among the Company, EquiServe Inc. and EquiServe Trust Company, N.A. and holders from time to time of Series G Depositary Receipts (incorporated by reference to Exhibit 4.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
4.4	Remarketing Agreement, dated May 27, 2004, relating to 50,000 depositary shares, each representing 1/100 of a share of the Series F Flexible Cumulative Redeemable Preferred Stock, by and among Lehman

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Brothers Inc., the Company and First Industrial, L.P. (incorporated by reference to Exhibit 1.2 of the Form 8-K of the Company, dated May 27, 2004, File No. 1-13102)

- 4.5 Remarketing Agreement, dated May 27, 2004, relating to 25,000 depositary shares, each representing 1/100 of a share of the Series G Flexible Cumulative Redeemable Preferred Stock, by and among Lehman Brothers Inc., the Company and First Industrial, L.P. (incorporated by reference to Exhibit 1.3 of the Form 8-K of the Company, dated May 27, 2004, File No. 1-13102)

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<b>Exhibits</b>	<b>Description</b>
4.6	Deposit Agreement, dated January 13, 2006, by and among the Company, Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A., as depositary, and holders from time to time of Series J Depositary Receipts (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company, filed January 17, 2006, File No. 1-13102)
4.7	Deposit Agreement, dated August 21, 2006, by and among the Company, Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A., as depositary, and holders from time to time of Series K Depositary Receipts (incorporated by reference to Exhibit 1.7 of the Form 8-A of the Company, as filed on August 18, 2006, File No. 1-13102)
4.8	Indenture, dated as of May 13, 1997, between First Industrial, L.P. and First Trust National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Form 10-Q of the Company for the fiscal quarter ended March 31, 1997, as amended by Form 10-Q/A No. 1 of the Company filed May 30, 1997, File No. 1-13102)
4.9	Supplemental Indenture No. 1, dated as of May 13, 1997, between First Industrial, L.P. and First Trust National Association as Trustee relating to \$150 million of 7.60% Notes due 2007 and \$100 million of 7.15% Notes due 2027 (incorporated by reference to Exhibit 4.2 of the Form 10-Q of the Company for the fiscal quarter ended March 31, 1997, as amended by Form 10-Q/A No. 1 of the Company filed May 30, 1997, File No. 1-13102)
4.10	Supplemental Indenture No. 2, dated as of May 22, 1997, between First Industrial, L.P. and First Trust National Association as Trustee relating to \$100 million of 7.375% Notes due 2011 (incorporated by reference to Exhibit 4.4 of the Form 10-Q of First Industrial, L.P. for the fiscal quarter ended March 31, 1997, File No. 333-21873)
4.11	Supplemental Indenture No. 3 dated October 28, 1997 between First Industrial, L.P. and First Trust National Association providing for the issuance of Medium-Term Notes due Nine Months or more from Date of Issue (incorporated by reference to Exhibit 4.1 of Form 8-K of First Industrial, L.P., dated November 3, 1997, as filed November 3, 1997, File No. 333-21873)
4.12	7.00% Medium-Term Note due 2006 in principal amount of \$150 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13102)
4.13	7.50% Medium-Term Note due 2017 in principal amount of \$100 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.19 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13102)
4.14	Trust Agreement, dated as of May 16, 1997, between First Industrial, L.P. and First Bank National Association, as Trustee (incorporated by reference to Exhibit 4.5 of the Form 10-Q of First Industrial, L.P. for the fiscal quarter ended March 31, 1997, File No. 333-21873)
4.15	Rights Agreement, dated as of September 16, 1997, between the Company and First Chicago Trust Company of New York, as Rights Agent (incorporated by reference to Exhibit 99.1 of Form 8-A12B as filed on September 24, 1997, File No. 1-13102)
4.16	7.60% Notes due 2028 in principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.2 of the Form 8-K of First Industrial, L.P. dated July 15, 1998, File No. 333-21873)
4.17	Supplemental Indenture No. 5, dated as of July 14, 1998, between First Industrial, L.P. and the U.S. Bank Trust National Association, relating to First Industrial, L.P.'s 7.60% Notes due July 15, 2008 (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P. dated July 15, 1998, File No. 333-21873)
4.18	7.375% Note due 2011 in principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.15 of First Industrial, L.P.'s Annual Report on Form 10-K for the year ended

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December 31, 2000, File No. 333-21873)

- 4.19 Supplemental Indenture No. 6, dated as of March 19, 2001, between First Industrial, L.P. and U.S. Bank Trust National Association, relating to First Industrial, L.P. s 7.375% Notes due March 15, 2011 (incorporated by reference to Exhibit 4.16 of First Industrial, L.P. s Annual Report on Form 10-K for the year ended December 31, 2000, File No. 333-21873)

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<b>Exhibits</b>	<b>Description</b>
4.20	Registration Rights Agreement, dated as of March 19, 2001, among First Industrial, L.P. and Credit Suisse First Boston Corporation, Chase Securities, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney, Inc., Banc of America Securities LLC, Banc One Capital Markets, Inc. and UBS Warburg LLC (incorporated by reference to Exhibit 4.17 of First Industrial, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2000, File No. 333-21873)
4.21	Supplemental Indenture No. 7 dated as of April 15, 2002, between First Industrial, L.P. and U.S. Bank National Association, relating to First Industrial, L.P.'s 6.875% Notes due 2012 and 7.75% Notes due 2032 (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P. dated April 4, 2002, File No. 333-21873)
4.22	Form of 6.875% Notes due in 2012 in the principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.2 of the Form 8-K of First Industrial, L.P., dated April 4, 2002, File No. 333-21873)
4.23	Form of 7.75% Notes due 2032 in the principal amount of \$50.0 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.3 of the Form 8-K of First Industrial, L.P., dated April 4, 2002, File No. 333-21873)
4.24	Supplemental Indenture No. 8, dated as of May 17, 2004, relating to 6.42% Senior Notes due June 1, 2014, by and between First Industrial, L.P. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P., dated May 27, 2004, File No. 333-21873)
4.25	Supplemental Indenture No. 9, dated as of June 14, 2004, relating to 5.25% Senior Notes due 2009, by and between the Operating Partnership and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P., dated June 17, 2004, File No. 333-21873)
4.26	Amendment No. 1, dated as of February 25, 2004, to Rights Agreement, dated as of September 16, 1997, between the Company and Equiserve Trust Company, N.A. (f/k/a First Chicago Trust Company of New York), as Rights Agent (incorporated by reference to Exhibit 4.23 of the Company's Annual Report on Form 10-K for the year ended December 31, 2003, File No. 1-13102)
4.27	Supplemental Indenture No. 10, dated as of January 10, 2006, relating to 5.75% Senior Notes due 2016, by and between the Operating Partnership and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company, filed January 11, 2006, File No. 1-13102)
4.28	Indenture dated as of September 25, 2006 among First Industrial, L.P., as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the current report on Form 8-K of First Industrial, L.P. dated September 25, 2006, File No. 333-21873)
4.29	Form of 4.625% Exchangeable Senior Note due 2011 (incorporated by reference to Exhibit 4.2 of the current report on Form 8-K of First Industrial, L.P. dated September 25, 2006, File No. 333-21873)
4.30	Registration Rights Agreement dated September 25, 2006 among the Company, First Industrial, L.P. and the Initial Purchasers named therein (incorporated by reference to Exhibit 10.1 of the current report on Form 8-K of First Industrial, L.P. dated September 25, 2006, File No. 333-21873)
10.1	Eleventh Amended and Restated Partnership Agreement of First Industrial, L.P. dated August 21, 2006 (the LP Agreement) (incorporated by reference to Exhibit 10.2 of the Form 8-K of the Company, filed August 22, 2006, File No. 1-13102)
10.2	Sales Agreement by and among the Company, First Industrial, L.P. and Cantor Fitzgerald & Co. dated September 16, 2004 (incorporated by reference to Exhibit 1.1 of the Form 8-K of the Company, dated September 16, 2004, File No. 1-13102)
10.3	Registration Rights Agreement, dated April 29, 1998, relating to the Company's Common Stock, par value \$0.01 per share, between the Company, the Operating Partnership and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company





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10.4	Non-Competition Agreement between Jay H. Shidler and First Industrial Realty Trust, Inc. (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 1-13102)
10.5	Form of Non-Competition Agreement between each of Michael T. Tomasz, Paul T. Lambert, Michael J. Havala, Michael W. Brennan, Michael G. Damone, Duane H. Lund, and Johansson L. Yap and First Industrial Realty Trust, Inc. (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-11, File No. 33-77804)
10.6	1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.37 of the Company's Annual Report on Form 10-K for the year ended December 31, 1994, File No. 1-13102)
10.7	First Industrial Realty Trust, Inc. Deferred Income Plan (incorporated by reference to Exhibit 10 of the Form 10-Q of the Company for the fiscal quarter ended March 31, 1996, File No. 1-13102)
10.8	Contribution Agreement, dated March 19, 1996, among FR Acquisitions, Inc. and the parties listed on the signature pages thereto (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company, dated April 3, 1996, File No. 1-13102)
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10.11	1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.62 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996, File No. 1-13102)
10.12	2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, File No. 1-13102)
10.13	Employment Agreement, dated March 31, 2002, between First Industrial Realty Trust, Inc. and Michael J. Havala (incorporated by reference to Exhibit 10.1 of the Form 10-Q of First Industrial Realty Trust, Inc. for the fiscal quarter ended March 31, 2002, File No. 1-13102)
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10.20	Fourth Amended and Restated Unsecured Revolving Credit Agreement, dated as of August 23, 2005, among First Industrial, L.P., First Industrial Realty Trust, Inc., JP Morgan Chase Bank, NA and certain other banks (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company filed August 25, 2005, File No. 1-13102)
10.21	

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Form of Restricted Stock Agreement (Director's Annual Retainer) (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company filed May 19, 2006, File No. 1-13102)

- 10.22 Amendment No. 1 to the Company's 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2006, File No. 1-13102)

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10.24	Separation Agreement between Robert Cutlip and First Industrial Realty Trust, Inc. dated March 13, 2006 (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company filed March 16, 2006, File No. 1-13102)
12.1*	Computation of ratios of earnings to fixed charges and preferred stock dividends of the Company
21.1*	Subsidiaries of the Registrant
23*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32**	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

\* Filed herewith.

\*\* Furnished herewith.

Indicates a compensatory plan or arrangement contemplated by Item 15 a (3) of Form 10-K.

**Table of Contents****EXHIBIT INDEX**

<b>Exhibits</b>	<b>Description</b>
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.2	Amended and Restated Bylaws of the Company, dated September 4, 1997 (incorporated by reference to Exhibit 1 of the Company's Form 8-K, dated September 4, 1997, as filed on September 29, 1997, File No. 1-13102)
3.3	Articles of Amendment to the Company's Articles of Incorporation, dated June 20, 1994 (incorporated by reference to Exhibit 3.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.4	Articles of Amendment to the Company's Articles of Incorporation, dated May 31, 1996 (incorporated by reference to Exhibit 3.3 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 1996, File No. 1-13102)
3.5	Articles Supplementary relating to the Company's 85/8% Series C Cumulative Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company dated June 6, 1997, File No. 1-13102)
3.6	Articles Supplementary relating to the Company's 6.236% Series F Flexible Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 3.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
3.7	Articles Supplementary relating to the Company's 7.236% Series G Flexible Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 3.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
3.8	Articles Supplementary relating to the Company's Junior Participating Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.10 of Form S-3 of the Company and First Industrial, L.P. dated September 24, 1997, Registration No. 333-29879)
3.9	Articles Supplementary relating to the Company's 7.25% Series J Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 4.1 of the Form 8-K of the Company filed January 17, 2006, File No. 1-13102)
3.10	Articles Supplementary relating to the Company's 7.25% Series K Cumulative Redeemable Preferred Stock, \$0.01 par value (incorporated by reference to Exhibit 1.6 of the Form 8-A of the Company, as filed on August 18, 2006, File No. 1-13102)
4.1	Deposit Agreement, dated June 6, 1997, by and among the Company, First Chicago Trust Company of New York and holders from time to time of Series C Depositary Receipts (incorporated by reference to Exhibit 4.2 of the Form 8-K of the Company, dated June 6, 1997, File No. 1-13102)
4.2	Deposit Agreement, dated May 27, 2004, by and among the Company, EquiServe Inc. and EquiServe Trust Company, N.A. and holders from time to time of Series F Depositary Receipts (incorporated by reference to Exhibit 4.1 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
4.3	Deposit Agreement, dated May 27, 2004, by and among the Company, EquiServe Inc. and EquiServe Trust Company, N.A. and holders from time to time of Series G Depositary Receipts (incorporated by reference to Exhibit 4.2 of the Form 10-Q of the Company for the fiscal quarter ended June 30, 2004, File No. 1-13102)
4.4	Remarketing Agreement, dated May 27, 2004, relating to 50,000 depositary shares, each representing 1/100 of a share of the Series F Flexible Cumulative Redeemable Preferred Stock, by and among Lehman Brothers Inc., the Company and First Industrial, L.P. (incorporated by reference to Exhibit 1.2

- of the Form 8-K of the Company, dated May 27, 2004, File No. 1-13102)
- 4.5 Remarketing Agreement, dated May 27, 2004, relating to 25,000 depositary shares, each representing 1/100 of a share of the Series G Flexible Cumulative Redeemable Preferred Stock, by and among Lehman Brothers Inc., the Company and First Industrial, L.P. (incorporated by reference to Exhibit 1.3 of the Form 8-K of the Company, dated May 27, 2004, File No. 1-13102)

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<b>Exhibits</b>	<b>Description</b>
4.6	Deposit Agreement, dated January 13, 2006, by and among the Company, Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A., as depository, and holders from time to time of Series J Depositary Receipts (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company, filed January 17, 2006, File No. 1-13102)
4.7	Deposit Agreement, dated August 21, 2006, by and among the Company, Computershare Shareholder Services, Inc. and Computershare Trust Company, N.A., as depository, and holders from time to time of Series K Depositary Receipts (incorporated by reference to Exhibit 1.7 of the Form 8-A of the Company, as filed on August 18, 2006, File No. 1-13102)
4.8	Indenture, dated as of May 13, 1997, between First Industrial, L.P. and First Trust National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Form 10-Q of the Company for the fiscal quarter ended March 31, 1997, as amended by Form 10-Q/A No. 1 of the Company filed May 30, 1997, File No. 1-13102)
4.9	Supplemental Indenture No. 1, dated as of May 13, 1997, between First Industrial, L.P. and First Trust National Association as Trustee relating to \$150 million of 7.60% Notes due 2007 and \$100 million of 7.15% Notes due 2027 (incorporated by reference to Exhibit 4.2 of the Form 10-Q of the Company for the fiscal quarter ended March 31, 1997, as amended by Form 10-Q/A No. 1 of the Company filed May 30, 1997, File No. 1-13102)
4.10	Supplemental Indenture No. 2, dated as of May 22, 1997, between First Industrial, L.P. and First Trust National Association as Trustee relating to \$100 million of 73/8% Notes due 2011 (incorporated by reference to Exhibit 4.4 of the Form 10-Q of First Industrial, L.P. for the fiscal quarter ended March 31, 1997, File No. 333-21873)
4.11	Supplemental Indenture No. 3 dated October 28, 1997 between First Industrial, L.P. and First Trust National Association providing for the issuance of Medium-Term Notes due Nine Months or more from Date of Issue (incorporated by reference to Exhibit 4.1 of Form 8-K of First Industrial, L.P., dated November 3, 1997, as filed November 3, 1997, File No. 333-21873)
4.12	7.00% Medium-Term Note due 2006 in principal amount of \$150 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.18 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13102)
4.13	7.50% Medium-Term Note due 2017 in principal amount of \$100 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.19 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 1-13102)
4.14	Trust Agreement, dated as of May 16, 1997, between First Industrial, L.P. and First Bank National Association, as Trustee (incorporated by reference to Exhibit 4.5 of the Form 10-Q of First Industrial, L.P. for the fiscal quarter ended March 31, 1997, File No. 333-21873)
4.15	Rights Agreement, dated as of September 16, 1997, between the Company and First Chicago Trust Company of New York, as Rights Agent (incorporated by reference to Exhibit 99.1 of Form 8-A12B as filed on September 24, 1997, File No. 1-13102)
4.16	7.60% Notes due 2028 in principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.2 of the Form 8-K of First Industrial, L.P. dated July 15, 1998, File No. 333-21873)
4.17	Supplemental Indenture No. 5, dated as of July 14, 1998, between First Industrial, L.P. and the U.S. Bank Trust National Association, relating to First Industrial, L.P.'s 7.60% Notes due July 15, 2008 (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P. dated July 15, 1998, File No. 333-21873)
4.18	7.375% Note due 2011 in principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.15 of First Industrial, L.P.'s Annual Report on Form 10-K for the year ended

December 31, 2000, File No. 333-21873)

- 4.19 Supplemental Indenture No. 6, dated as of March 19, 2001, between First Industrial, L.P. and U.S. Bank Trust National Association, relating to First Industrial, L.P.'s 7.375% Notes due March 15, 2011 (incorporated by reference to Exhibit 4.16 of First Industrial, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2000, File No. 333-21873)

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<b>Exhibits</b>	<b>Description</b>
4.20	Registration Rights Agreement, dated as of March 19, 2001, among First Industrial, L.P. and Credit Suisse First Boston Corporation, Chase Securities, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney, Inc., Banc of America Securities LLC, Banc One Capital Markets, Inc. and UBS Warburg LLC (incorporated by reference to Exhibit 4.17 of First Industrial, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2000, File No. 333-21873)
4.21	Supplemental Indenture No. 7 dated as of April 15, 2002, between First Industrial, L.P. and the U.S. Bank National Association, relating to First Industrial, L.P.'s 6.875% Notes due 2012 and 7.75% Notes due 2032 (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P. dated April 4, 2002, File No. 333-21873)
4.22	Form of 6.875% Notes due in 2012 in the principal amount of \$200 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.2 of the Form 8-K of First Industrial, L.P., dated April 4, 2002, File No. 333-21873)
4.23	Form of 7.75% Notes due 2032 in the principal amount of \$50.0 million issued by First Industrial, L.P. (incorporated by reference to Exhibit 4.3 of the Form 8-K of First Industrial, L.P., dated April 4, 2002, File No. 333-21873)
4.24	Supplemental Indenture No. 8, dated as of May 17, 2004, relating to 6.42% Senior Notes due June 1, 2014, by and between First Industrial, L.P. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of the Form 8-K of First Industrial, L.P., dated May 27, 2004, File No. 333-21873)
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**FIRST INDUSTRIAL REALTY TRUST, INC.**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
First Industrial Realty Trust, Inc.:

We have completed integrated audits of First Industrial Realty Trust, Inc.'s consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

**Consolidated financial statements and financial statement schedule**

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of First Industrial Realty Trust, Inc. and its subsidiaries (the Company) at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in fiscal 2006.

**Internal control over financial reporting**

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and

performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

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

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

PricewaterhouseCoopers LLP

Chicago, Illinois

March 1, 2007



**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
	<b>(Dollars in thousands, except share and per share data)</b>	
<b>ASSETS</b>		
Assets:		
Investment in Real Estate:		
Land	\$ 558,425	\$ 541,406
Buildings and Improvements	2,626,284	2,653,281
Construction in Progress	35,019	66,074
Less: Accumulated Depreciation	(465,418)	(410,566)
Net Investment in Real Estate	2,754,310	2,850,195
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of \$9,688 and \$1,622 at December 31, 2006 and December 31, 2005	115,961	16,840
Cash and Cash Equivalents	16,135	8,237
Restricted Cash	15,970	29,581
Tenant Accounts Receivable, Net	8,014	8,897
Investments in Joint Ventures	55,527	44,241
Deferred Rent Receivable, Net	28,839	24,910
Deferred Financing Costs, Net	15,210	10,909
Deferred Leasing Intangibles, Net	86,265	78,537
Prepaid Expenses and Other Assets, Net	128,168	153,896
Total Assets	\$ 3,224,399	\$ 3,226,243

**LIABILITIES AND STOCKHOLDERS EQUITY**

Liabilities:		
Mortgage Loans Payable, Net	\$ 77,926	\$ 57,309
Senior Unsecured Debt, Net	1,549,732	1,298,893
Unsecured Lines of Credit	207,000	457,500
Accounts Payable and Accrued Expenses	119,027	110,560
Deferred Leasing Intangibles, Net	19,486	24,307
Rents Received in Advance and Security Deposits	30,844	32,283
Leasing Intangibles Held for Sale Net of Accumulated Amortization of \$183 at December 31, 2006	2,310	
Dividends Payable	42,548	39,509
Total Liabilities	2,048,873	2,020,361

Commitments and Contingencies

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Minority Interest	152,547	162,320
Stockholders' Equity:		
Preferred Stock (\$0.01 par value, 10,000,000 shares authorized, 20,000, 500, 250, 600, and 200 shares of Series C, F, G, J, and K Cumulative Preferred Stock, respectively, issued and outstanding at December 31, 2006, having a liquidation preference of \$2,500 per share (\$50,000), \$100,000 per share (\$50,000), \$100,000 per share (\$25,000), \$250,000 per share (\$150,000), and \$250,000 per share (\$50,000), respectively. At December 31, 2005, 10,000,000 shares authorized, 20,000, 500, 250 and 750 shares of Series C, F, G and I Cumulative Preferred Stock, respectively, were issued and outstanding, having a liquidation preference of \$2,500 per share (\$50,000), \$100,000 per share (\$50,000), \$100,000 per share (\$25,000) and \$250,000 per share (\$187,500), respectively		
Common Stock (\$0.01 par value, 100,000,000 shares authorized, 47,537,030 and 46,971,110 shares issued and 45,010,630 and 44,444,710 shares outstanding at December 31, 2006 and December 31, 2005, respectively)	475	470
Additional Paid-in-Capital	1,388,311	1,384,712
Distributions in Excess of Accumulated Earnings	(284,955)	(248,686)
Unearned Value of Restricted Stock Grants		(16,825)
Accumulated Other Comprehensive Loss	(10,264)	(5,521)
Treasury Shares at Cost (2,526,400 shares at December 31, 2006 and December 31, 2005)	(70,588)	(70,588)
Total Stockholders' Equity	1,022,979	1,043,562
Total Liabilities and Stockholders' Equity	\$ 3,224,399	\$ 3,226,243

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
	<b>(In thousands except per unit data)</b>		
Revenues:			
Rental Income	\$ 274,907	\$ 223,572	\$ 200,600
Tenant Recoveries and Other Income	110,589	85,717	67,408
Revenues from Build to Suit Development for Sale	10,540	16,241	
<b>Total Revenues</b>	<b>396,036</b>	<b>325,530</b>	<b>268,008</b>
Expenses:			
Property Expenses	130,230	108,464	90,309
General and Administrative	77,497	55,812	39,569
Depreciation and Other Amortization	145,906	105,720	79,939
Expenses from Build to Suit Development for Sale	10,263	15,574	
<b>Total Expenses</b>	<b>363,896</b>	<b>285,570</b>	<b>209,817</b>
Other Income/Expense:			
Interest Income	1,614	1,486	3,632
Mark-to-Market/(Loss) Gain on Settlement of Interest Rate Protection Agreements	(3,112)	811	1,583
Interest Expense	(121,141)	(108,339)	(98,636)
Amortization of Deferred Financing Costs	(2,666)	(2,125)	(1,931)
Gain (Loss) From Early Retirement of Debt		82	(515)
<b>Total Other Income/Expense</b>	<b>(125,305)</b>	<b>(108,085)</b>	<b>(95,867)</b>
Loss from Continuing Operations Before Equity in Income of Joint Ventures, Income Tax Benefit and Income Allocated To Minority Interest	(93,165)	(68,125)	(37,676)
Equity in Income of Joint Ventures	30,673	3,699	37,301
Income Tax Benefit	8,920	14,022	7,937
Minority Interest Allocable to Continuing Operations	9,795	7,980	2,034
<b>(Loss) Income from Continuing Operations</b>	<b>(43,777)</b>	<b>(42,424)</b>	<b>9,596</b>
Income from Discontinued Operations (Including Gain on Sale of Real Estate of \$213,442, \$132,139, and \$88,245 for the Years Ended December 31, 2006, 2005 and 2004, respectively)	225,357	154,061	116,693
Provision for Income Taxes Allocable to Discontinued Operations (including \$47,511, \$20,529, and \$8,659 allocable to Gain on Sale of Real Estate for the Years Ended December 31, 2006, 2005 and	(50,140)	(23,583)	(11,005)

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2004, respectively)

Minority Interest Allocable to Discontinued Operations	(22,796)	(17,171)	(14,500)
Income Before Gain on Sale of Real Estate	108,644	70,883	100,784
Gain on Sale of Real Estate	6,071	29,550	16,755
Provision for Income Taxes Allocable to Gain on Sale of Real Estate	(2,119)	(10,871)	(5,371)
Minority Interest Allocable to Gain on Sale of Real Estate	(514)	(2,458)	(1,562)
Net Income	112,082	87,104	110,606
Less: Preferred Dividends	(21,424)	(10,688)	(14,488)
Less: Redemption of Preferred Stock	(672)		(7,959)
Net Income Available to Common Stockholders	\$ 89,986	\$ 76,416	\$ 88,159
Basic Earnings Per Share:			
Loss from Continuing Operations Available to Common Stockholders	\$ (1.42)	\$ (0.87)	\$ (0.07)
Income from Discontinued Operations	\$ 3.46	\$ 2.67	\$ 2.25
Net Income Available to Common Stockholders	\$ 2.04	\$ 1.80	\$ 2.17
Weighted Average Shares Outstanding	44,012	42,431	40,557
Diluted Earnings Per Share:			
Loss from Continuing Operations Available to Common Stockholders	\$ (1.42)	\$ (0.87)	\$ (0.07)
Income from Discontinued Operations	\$ 3.46	\$ 2.67	\$ 2.25
Net Income Available to Common Stockholders	\$ 2.04	\$ 1.80	\$ 2.17
Weighted Average Shares Outstanding	44,012	42,431	40,557
Dividends/Distributions declared per Common Share Outstanding	\$ 2.8100	\$ 2.7850	\$ 2.7500

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
	(Dollars in thousands)		
<b>Net Income</b>	112,082	\$ 87,104	\$ 110,606
<b>Other Comprehensive (Loss) Income:</b>			
Settlement of Interest Rate Protection Agreements	(1,729)		6,816
Reclassification of Settlement of Interest Rate Protection Agreements to Net Income		(159)	
Mark-to-Market of Interest Rate Protection Agreements	(2,800)	(1,414)	106
Amortization of Interest Rate Protection Agreements	(912)	(1,085)	(512)
Other Comprehensive Loss Allocable to Minority Interest	698	837	
<b>Comprehensive Income</b>	<b>\$ 107,339</b>	<b>\$ 85,283</b>	<b>\$ 117,016</b>

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
	<b>(Dollars in thousands)</b>		
Preferred Stock Beginning of Year	\$	\$	\$ 1
Issuance of Preferred Stock			
Redemption of Preferred Stock			(1)
Preferred Stock End of Year	\$	\$	\$
Common Stock Beginning of Year	\$ 470	\$ 454	\$ 424
Net Proceeds from the Issuance of Common Stock	1	15	30
Issuance of Restricted Stock	3	2	2
Repurchase and Retirement of Common Stock	(1)	(1)	(1)
Restricted Stock Forfeitures		(1)	(4)
Conversion of Units to Common Stock	2	1	3
Common Stock End of Year	\$ 475	\$ 470	\$ 454
Additional Paid-In-Capital Beginning of Year	\$ 1,384,712	\$ 1,142,356	\$ 1,161,373
Net Proceeds from the Issuance of Common Stock	3,819	56,109	99,250
Issuance of Restricted Stock	(3)	8,379	8,377
Repurchase and Retirement of Restricted Stock/Common Stock	(2,463)	(2,741)	(3,094)
Restricted Stock Forfeitures		(2,825)	(10,629)
Call Spread	(6,835)		
Net Proceeds from the Issuance of Preferred Stock	192,624	181,484	194,424
Redemption of Preferred Stock	(181,484)		(313,537)
Conversion of Units to Common Stock	5,142	1,950	6,192
Reclassification to initially adopt SFAS No. 123R	(16,825)		
Amortization of Restricted Stock Grants	9,624		
Additional Paid-In-Capital End of Year	\$ 1,388,311	\$ 1,384,712	\$ 1,142,356
Dist. In Excess of Accum. Earnings Beginning of Year	\$ (248,686)	\$ (203,417)	\$ (172,892)
Preferred Stock Dividends	(21,424)	(10,688)	(14,488)
Distributions (\$2.8100, \$2.7850 and \$2.7500 per Share/Unit at December 31, 2006, 2005 and 2004, respectively)	(144,720)	(139,168)	(132,585)
Redemption of Preferred Stock	(672)		(7,959)
Repurchase and Retirement of Restricted Stock/Common Stock	(269)	(543)	(652)
Restricted Stock Forfeitures		(147)	(3,464)
Net Income Before Minority Interest	125,597	98,753	124,634
Minority Interest:			
Allocation of Income	(13,515)	(11,649)	(14,028)

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Distributions (\$2.8100, \$2.7850 and \$2.7500 per Unit at December 31, 2006, 2005 and 2004, respectively)	18,734	18,173	18,017
Dist. In Excess of Accum. Earnings End of Year	\$ (284,955)	\$ (248,686)	\$ (203,417)
Unearned Value of Rest. Stock Grants Beginning of Year	\$ (16,825)	\$ (19,611)	\$ (19,035)
Issuance of Restricted Stock		(8,381)	(8,379)
Amortization of Restricted Stock Grants		8,845	6,866
Restricted Stock Forfeitures		2,322	937
Reclassification to initially adopt SFAS No. 123R	16,825		
Unearned Value of Rest. Stock Grants End of Year	\$	\$ (16,825)	\$ (19,611)
Treasury Shares, at cost Beginning of Year	\$ (70,588)	\$ (70,588)	\$ (70,588)
Purchase of Treasury Shares			
Treasury Shares, at cost End of Year	\$ (70,588)	\$ (70,588)	\$ (70,588)
Accum. Other Comprehensive Loss Beginning of Year	\$ (5,521)	\$ (3,700)	\$ (10,110)
Settlement of Interest Rate Protection Agreements	(1,729)		6,816
Reclassification of Settlement of Interest Rate Protection Agreements to Net Income		(159)	
Mark-to-Market of Interest Rate Protection Agreements	(2,800)	(1,414)	106
Amortization of Interest Rate Protection Agreements	(912)	(1,085)	(512)
Other Comprehensive Loss Allocable to Minority Interest	698	837	
Accum. Other Comprehensive Loss End of Year	\$ (10,264)	\$ (5,521)	\$ (3,700)
Total Stockholders Equity at End of Year	\$ 1,022,979	\$ 1,043,562	\$ 845,494

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income	\$ 112,082	\$ 87,104	\$ 110,606
Income Allocated to Minority Interest	13,515	11,649	14,028
Net Income Before Minority Interest	125,597	98,753	124,634
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	121,347	99,338	82,757
Amortization of Deferred Financing Costs	2,666	2,125	1,931
Other Amortization	40,965	33,728	22,547
Provision for Bad Debt	2,289	1,817	(1,474)
Mark-to-Market/Loss on Settlement of Interest Rate Protection Agreements	(16)	(143)	
(Gain) Loss From Early Retirement of Debt		(82)	515
Equity in Income of Joint Ventures	(30,673)	(3,699)	(36,451)
Distributions from Joint Ventures	31,664	3,866	36,451
Decrease (Increase) in Build to Suit Development for Sale Costs Receivable	5,883	(16,241)	
Gain on Sale of Real Estate	(219,513)	(161,689)	(91,242)
Increase in Tenant Accounts Receivable and Prepaid Expenses and Other Assets, Net	(16,524)	(23,371)	(46,030)
Increase in Deferred Rent Receivable	(10,154)	(9,459)	(6,771)
Increase (Decrease) in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	6,020	24,407	(9,210)
Net Cash Provided by Operating Activities	59,551	49,350	77,657
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of and Additions to Investment in Real Estate	(813,840)	(920,707)	(485,393)
Net Proceeds from Sales of Investments in Real Estate	907,428	537,252	293,703
Contributions to and Investments in Joint Ventures	(32,773)	(45,175)	(5,422)
Distributions from Joint Ventures	19,734	2,971	14,074
Repayment and Sale of Mortgage Loans Receivable	34,987	83,561	111,049
Decrease (Increase) in Restricted Cash	13,611	(29,556)	81,981
Net Cash Provided by (Used in) Investing Activities	129,147	(371,654)	9,992
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net Proceeds from the Issuance of Common Stock	3,462	55,754	86,121



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Proceeds from the Issuance of Preferred Stock	200,000	187,500	200,000
Preferred Stock Offering Costs	(7,103)	(5,906)	(5,576)
Redemption of Preferred Stock	(182,156)		(321,438)
Repurchase of Restricted Stock	(2,660)	(3,285)	(3,747)
Proceeds from Senior Unsecured Debt	399,306		134,496
Other (Costs) Proceeds from Senior Unsecured Debt	(1,729)		6,816
Repayment of Senior Unsecured Debt	(150,000)	(50,000)	
Dividends/Distributions	(143,858)	(137,672)	(130,220)
Preferred Stock Dividends	(19,248)	(8,162)	(13,256)
Proceeds from Mortgage Loans Payable		1,167	1,400
Repayments of Mortgage Loans Payable	(12,618)	(1,987)	(5,965)
Proceeds from Unsecured Lines of Credit	779,300	647,500	581,000
Repayments on Unsecured Lines of Credit	(1,029,800)	(357,500)	(609,400)
Call Spread	(6,835)		
Cost of Debt Issuance and Prepayment Fees	(6,861)	(1,792)	(3,777)
Net Cash (Used in) Provided by Financing Activities	(180,800)	325,617	(83,546)
Net Increase in Cash and Cash Equivalents	7,898	3,313	4,103
Cash and Cash Equivalents, Beginning of Period	8,237	4,924	821
Cash and Cash Equivalents, End of Period	\$ 16,135	\$ 8,237	\$ 4,924

The accompanying notes are an integral part of the financial statements.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in thousands)**

**1. Organization and Formation of Company**

First Industrial Realty Trust, Inc. was organized in the state of Maryland on August 10, 1993. First Industrial Realty Trust, Inc. is a real estate investment trust ( REIT ) as defined in the Internal Revenue Code of 1986, as amended (the Code ).

First Industrial Realty Trust, Inc. and its subsidiaries (the Company ) began operations on July 1, 1994. The Company's operations are conducted primarily through First Industrial, L.P. (the Operating Partnership ) of which the Company is the sole general partner. The Company is the sole stockholder of First Industrial Finance Corporation, First Industrial Pennsylvania Corporation, First Industrial Harrisburg Corporation, First Industrial Securities Corporation, First Industrial Mortgage Corporation, First Industrial Indianapolis Corporation, FI Development Services Corporation and First Industrial Florida Finance Corporation, which are the sole general partners of First Industrial Financing Partnership, L.P. (the Financing Partnership ), First Industrial Pennsylvania, L.P. (the Pennsylvania Partnership ), First Industrial Harrisburg, L.P. (the Harrisburg Partnership ), First Industrial Securities, L.P. (the Securities Partnership ), First Industrial Mortgage Partnership, L.P. (the Mortgage Partnership ), First Industrial Indianapolis, L.P. (the Indianapolis Partnership ), FI Development Services, L.P. and TK-SV, LTD., respectively (except in the case of the Financing Partnership in which case the Operating Partnership is also the general partner), and the Operating Partnership is the sole limited partner. The Operating Partnership is also the sole member of limited liability companies and the sole stockholder of First Industrial Investment, Inc. The operating data of the foregoing subsidiaries of the Company 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.

As of December 31, 2006, the Company owned 931 industrial properties (inclusive of developments in progress) located in 28 states in the United States and one province in Canada, containing an aggregate of approximately 76.9 million square feet (unaudited) of gross leasable area ( GLA ).

**2. Basis of Presentation**

First Industrial Realty Trust, Inc. is the sole general partner of the Operating Partnership, with an approximate 87.3% and 86.8% ownership interest at December 31, 2006 and 2005, respectively. Minority interest at December 31, 2006 and 2005, represents the approximate 12.7% and 13.2%, respectively, aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

The consolidated financial statements of the Company at December 31, 2006 and 2005 and for each of the years ended December 31, 2006, 2005 and 2004 include the accounts and operating results of the Company and its subsidiaries. Such financial statements present the Company's minority equity interests in the

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Joint Ventures under the equity method of accounting. All intercompany transactions have been eliminated in consolidation.

**3. Summary of Significant Accounting Policies**

In order to conform with generally accepted accounting principles, management, in preparation of the Company's financial statements, is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 2006 and 2005, and the reported amounts of revenues and expenses for each of the years ended December 31, 2006, 2005 and 2004. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short term maturity of these investments.

***Restricted Cash***

At December 31, 2006 and 2005, restricted cash includes gross proceeds from the sales of certain properties. These sales proceeds will be disbursed as the Company exchanges into properties under Section 1031 of the Internal Revenue Code. The carrying amount approximates fair value due to the short term maturity of these investments.

***Investment in Real Estate and Depreciation***

Investment in Real Estate is carried at cost. The Company reviews its properties on a quarterly basis for impairment and provides a provision if impairments are found. To determine if an impairment may exist, the Company reviews its properties and identifies those that have had either an event of change or event of circumstances warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, the Company estimates the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, the Company will recognize an impairment loss based upon the estimated fair value of such property. For properties management considers held for sale, the Company ceases depreciating the properties and values the properties 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. Such property is measured 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. To calculate the fair value of properties held for sale, the Company deducts from the estimated sales price of the property the estimated costs to close the sale. The Company classifies properties as held for sale when management of the Company has approved the properties for sale.

Interest costs, real estate taxes, compensation costs of development personnel and other directly related costs incurred during construction periods are capitalized and depreciated commencing with the date the property is substantially

completed. Upon substantial completion, the Company reclassifies construction in progress to building, tenant improvements and leasing commissions. Such costs begin to be capitalized to the development projects from the point the Company is undergoing necessary activities to get the development ready for its intended use and ceases when the development projects are substantially completed and held

**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

available for occupancy. Depreciation expense is computed using the straight-line method based on the following useful lives:

	<b>Years</b>
Buildings and Improvements	20 to 50
Land Improvements	15
Furniture, Fixtures and Equipment	5 to 10

Construction expenditures for tenant improvements, leasehold improvements and leasing commissions (inclusive of compensation costs of personnel attributable to leasing) are capitalized and amortized over the terms of each specific lease. Capitalized compensation costs of personnel attributable to leasing relate to time directly attributable to originating leases with independent third parties that result directly from and are essential to originating those leases and would not have been incurred had these leasing transactions not occurred. Repairs and maintenance are charged to expense when incurred. Expenditures for improvements are capitalized.

The Company accounts for all acquisitions entered into subsequent to June 30, 2001 in accordance with Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standard No. 141, Business Combinations (FAS 141). Upon acquisition of a property, the Company allocates the purchase price of the property based upon the fair value of the assets acquired, which generally consist of land, buildings, tenant improvements, leasing commissions and intangible assets including in-place leases, above market and below market leases and tenant relationships. The Company allocates the purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term.

The purchase price is further allocated to in-place lease values and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental revenue on the Company's consolidated statements of operations. The value of in-place lease intangibles and tenant relationships, which are included as components of Deferred Leasing Intangibles, Net (see below) are amortized over the remaining lease term and expected renewal periods of the respective lease as adjustments to depreciation and other amortization expense. If a tenant terminates its lease early, the unamortized portion of the tenant improvements, leasing commissions, above and below market leases, the in-place lease value and tenant relationships is immediately written off.

**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Deferred Leasing Intangibles, exclusive of deferred leasing intangibles held for sale, included in the Company's total assets consist of the following:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
In-Place Leases	\$ 81,422	\$ 78,674
Less: Accumulated Amortization	(15,361)	(6,236)
	\$ 66,061	\$ 72,438
Above Market Leases	\$ 6,933	\$ 7,958
Less: Accumulated Amortization	(2,177)	(1,859)
	\$ 4,756	\$ 6,099
Tenant Relationships	\$ 16,657	\$
Less: Accumulated Amortization	(1,209)	
	\$ 15,448	\$

Deferred Leasing Intangibles, exclusive of deferred leasing intangibles held for sale, included in the Company's total liabilities consist of the following:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Below Market Leases	\$ 25,735	\$ 27,710
Less: Accumulated Amortization	(6,249)	(3,403)
	\$ 19,486	\$ 24,307

Amortization expense related to deferred leasing intangibles was \$13,747, \$6,733, and \$1,643 for the years ended December 31, 2006, 2005, and 2004 respectively. The Company will recognize net amortization expense related to deferred leasing intangibles over the next five years as follows:

2007	\$ 19,673
2008	17,012

2009	14,695
2010	12,324
2011	10,409

***Build to Suit for Sale Revenues and Expenses***

During 2006 and 2005, the Company entered into contracts with third parties to construct industrial properties. The build-to-suit for sale contracts require the purchase price to be paid at closing. The Company uses the percentage-of-completion contract method of accounting in accordance with SOP 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts . During the period of performance, costs are accumulated on the balance sheet in Prepaid Expenses and Other Assets (\$10,263 at December 31, 2006 and \$15,574 at December 31, 2005) and revenues and expenses are recognized in continuing operations.

***Deferred Financing Costs***

Deferred financing costs include fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the respective loans. Accumulated amortization of deferred



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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

financing costs was \$13,863 and \$12,541 at December 31, 2006 and 2005, respectively. Unamortized deferred financing costs are written-off when debt is retired before the maturity date.

***Investments in Joint Ventures***

Investments in Joint Ventures represent the Company's minority equity interests in the Joint Ventures. The Company accounts for its investments in Joint Ventures under the equity method of accounting, as the Company does not have operational control or a majority voting interest. Under the equity method of accounting, the Company's share of earnings or losses of the Joint Ventures is reflected in income as earned and contributions or distributions increase or decrease, respectively, the Company's Investments in Joint Ventures as paid or received, respectively. Differences between the Company's carrying value of its investments in joint ventures and the Company's underlying equity of such joint ventures are amortized over the respective lives of the underlying assets.

***Stock Based Compensation***

Effective January 1, 2006 the Company adopted Statement of Financial Accounting Standards No. 123R, Share Based Payment (FAS 123R), using the modified prospective application method, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of compensation over the service period for awards expected to vest. For the years ended December 31, 2003, 2004 and 2005, the Company accounted for its stock incentive plans under the recognition and measurement principles of Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation for all new issuances of stock based compensation. At January 1, 2006, the Company did not have any unvested option awards and the Company had accounted for their previously issued restricted stock awards at fair value, accordingly, the adoption of FAS 123R did not require the Company to recognize a cumulative effect of a change in accounting principle. The Company did reclassify \$16,825 from the Unearned Value of Restricted Stock Grants caption within Stockholder's Equity to Additional Paid in Capital during the year ended December 31, 2006 in accordance with the provisions of FAS 123R.

Prior to January 1, 2003, the Company accounted for its stock incentive plans under the recognition measurement principles of Accounting Principles Board opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, compensation expense is not recognized for options issued in which the strike price is equal to the fair value of the Company's stock on the date of grant. The following table illustrates the pro forma effect on net income and earnings per share as if the fair value recognition provisions

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of FAS 123R had been applied to all outstanding and unvested option awards for the years ended December 31, 2005 and 2004:

	<b>For the Year Ended</b>	
	<b>2005</b>	<b>2004</b>
Net Income Available to Common Stockholders as reported	\$ 76,416	\$ 88,159
Add: Stock-Based Employee Compensation Expense Included in Net Income Available to Common Stockholders, Net of Minority Interest as reported		
Less: Total Stock-Based Employee Compensation Expense, Net of Minority Interest Determined Under the Fair Value Method	(87)	(362)
Net Income Available to Common Stockholders pro forma	\$ 76,329	\$ 87,797
Net Income Available to Common Stockholders per Share as reported Basic	\$ 1.80	\$ 2.17
Net Income Available to Common Stockholders per Share pro forma Basic	\$ 1.80	\$ 2.16
Net Income Available to Common Stockholders per Share as reported Diluted	\$ 1.80	\$ 2.17
Net Income Available to Common Stockholders per Share pro forma Diluted	\$ 1.80	\$ 2.16
The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:		
Expected dividend yield	N/A	N/A
Expected stock price volatility	N/A	N/A
Risk-free interest rate	N/A	N/A
Expected life of options	N/A	N/A

The Company did not issue any options in 2005 and 2004.

***Revenue Recognition***

Rental income is recognized on a straight-line method under which contractual rent increases are recognized evenly over the lease term. Tenant recovery income includes payments from tenants for real estate taxes, insurance and other property operating expenses and is recognized as revenue in the same period the related expenses are incurred by the Company.

Revenue is recognized on payments received from tenants for early lease terminations after the Company determines that all the necessary criteria have been met in accordance with FASB Statement of Financial Accounting Standards No. 13, Accounting for Leases ( FAS 13 ).

Interest income on mortgage loans receivable is recognized based on the accrual method unless a significant uncertainty of collection exists. If a significant uncertainty exists, interest income is recognized as collected.

The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable which is estimated to be uncollectible. Accounts receivable in the consolidated balance sheets are shown net of an allowance

for doubtful accounts of \$783 and \$111 as of December 31, 2006 and 2005, respectively. For accounts receivable the Company deems uncollectible, the Company uses the direct write-off method.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Gain on Sale of Real Estate***

Gain on sale of real estate is recognized using the full accrual method, when appropriate. Gains relating to transactions which do not meet the full accrual method of accounting are deferred and recognized when the full accrual method of accounting criteria are met or by using the installment or deposit methods of profit recognition, as appropriate in the circumstances. As the assets are sold, their costs and related accumulated depreciation are written off with resulting gains or losses reflected in net income or loss. Estimated future costs to be incurred by the Company after completion of each sale are included in the determination of the gain on sales.

***Income Taxes***

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a result, the Company generally is not subject to federal income taxation to the extent of the income which it distributes if it satisfies the requirements set forth in Section 856 of the Code (pertaining to its organization and types of income and assets) necessary to maintain its status as a REIT, it distributes annually at least 90% of its REIT taxable income, as defined in the Code, to its stockholders and it satisfies certain other requirements.

A provision has been made for federal income taxes in the accompanying consolidated financial statements for activities conducted in its taxable REIT subsidiary, First Industrial Investment, Inc. which has been accounted for under FASB Statement of Financial Standards No. 109, Accounting for Income Taxes ( FAS 109 ). In accordance with FAS 109, the total benefit/expense has been separately allocated to income from continuing operations, income from discontinued operations and gain on sale of real estate.

The Company and certain of its subsidiaries are subject to certain state and local income, excise and franchise taxes. The provision for excise and franchise taxes has been reflected in general and administrative expense in the consolidated statements of operations and has not been separately stated due to its insignificance. State and local income taxes are included in the provision/benefit for income taxes which is allocated to income from continuing operations, income from discontinued operations and gain on sale of real estate.

***Earnings Per Common Share***

Net income per weighted average share basic is based on the weighted average common shares outstanding (excluding restricted stock that has not yet vested). Net income per weighted average share diluted is based on the weighted average common shares outstanding (excluding restricted stock that has not yet vested) plus the dilutive effect of in-the-money employee stock options, restricted stock and 2011 Exchangeable Notes (hereinafter defined). See Note 10 for further disclosure about earnings per share.

***Fair Value of Financial Instruments***

The Company's financial instruments include short-term investments, tenant accounts receivable, net, mortgage notes receivable, accounts payable, other accrued expenses, mortgage loans payable, unsecured lines of credit and senior unsecured debt.

The fair values of the short-term investments, tenant accounts receivable, net, mortgage notes receivable, accounts payable and other accrued expenses approximates their carrying or contract values. See Note 5 for the fair values of the mortgage loans payable, unsecured lines of credit and senior unsecured debt.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Derivative Financial Instruments***

Historically, the Company has used interest rate protection agreements (the Agreements ) to fix the interest rate on anticipated offerings of senior unsecured debt or convert floating rate debt to fixed rate debt. Receipts or payments that result from the settlement of Agreements used to fix the interest rate on anticipated offerings of senior unsecured debt are amortized over the life of the senior unsecured debt and included in interest expense. Receipts or payments resulting from Agreements used to convert floating rate debt to fixed rate debt are recognized as a component of interest expense. Agreements which qualify for hedge accounting are marked-to-market and any gain or loss is recognized in other comprehensive income (shareholders' equity). Any agreements which no longer qualify for hedge accounting are marked-to-market and any gain or loss is recognized in net income immediately. The credit risks associated with the Agreements are controlled through the evaluation and monitoring of the creditworthiness of the counterparty. In the event that the counterparty fails to meet the terms of the Agreements, the Company's exposure is limited to the current value of the interest rate differential, not the notional amount, and the Company's carrying value of the Agreements on the balance sheet. See Note 5 for more information on the Agreements.

***Discontinued Operations***

On January 1, 2002, the Company adopted the FASB Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long Lived Assets ( FAS 144 ). FAS 144 addresses financial accounting and reporting for the disposal of long lived assets. FAS 144 requires that the results of operations and gains or losses on the sale of property or property held for sale be presented in discontinued operations if both of the following criteria are met: (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 disposal transaction and (b) the Company will not have any significant continuing involvement in the operations of the property after the disposal transaction. FAS 144 also requires prior period results of operations for these properties to be reclassified and presented in discontinued operations in prior consolidated statements of operations.

***Segment Reporting***

Management views the Company as a single segment based on its method of internal reporting.

***Recent Accounting Pronouncements***

In February 2006, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 155, *Accounting for Certain Hybrid Financial Instruments* which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ( FAS 133 ), and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of SFAS No. 133 to Beneficial Interests in Securitized Financial Assets. This statement:

- a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;
- b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133;

c. Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation;

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

d. Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and

e. Amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* which amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, ( FAS 140 ) with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement was issued to simplify the accounting for servicing rights and reduce the volatility that results from the use of different measurements attributes for servicing rights and the related financial instruments used to economically hedge risks associated with those servicing rights. The statement clarifies when to separately account for servicing rights, requires separately recognized servicing rights to be initially measured at fair value, and provides the option to subsequently account for those servicing rights at either fair value or under the amortization method previously required under FAS 140. An entity should adopt this statement as of the beginning of its first fiscal year that begins after September 15, 2006. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes*. The evaluation of a tax position in accordance with FIN 48 is a two-step process. First, the Company determines whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. Second, a tax position that meets the more-likely-than-not threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent reporting period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent reporting period in which the threshold is no longer met. The Company is required to apply the guidance of FIN 48 beginning January 1, 2007. The Company is currently evaluating what impact the application of FIN 48 will have on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* which establishes a common definition of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. The Company does not expect that the implementation of this statement will have a material effect on the Company's consolidated financial position or results of operations.

In December 2006, the FASB ratified the consensus reached by the Emerging Issues Task Force ( EITF ) regarding EITF 00-19-2, *Accounting for Registration Payment Arrangements*. The guidance specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement,



whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. The guidance is effective for periods beginning after December 15, 2006. EITF 00-19-2 is not expected to impact the Company's results of operations, financial position, or liquidity.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. Investments in Joint Ventures**

On September 28, 1998, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a joint venture arrangement (the September 1998 Joint Venture ) with an institutional investor to invest in industrial properties. At December 31, 2006, the Company, through wholly-owned limited liability companies of the Operating Partnership, owns a 10% equity interest in the September 1998 Joint Venture and provides property and asset management services to the September 1998 Joint Venture. On January 31, 2007, the Company purchased the remaining 90% equity interest from the institutional investor in the September 1998 Joint Venture (See Note 16).

On December 28, 2001, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a joint venture arrangement (the December 2001 Joint Venture ) with an institutional investor to invest in industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership, owned a 15% equity interest in the December 2001 Joint Venture and provided property management services to the December 2001 Joint Venture. On August 27, 2004, the December 2001 Joint Venture sold all 36 industrial properties, containing approximately 6.2 million square feet (unaudited) of GLA, to a third party for gross proceeds of approximately \$349,750. Due to certain provisions in the operating agreement, the Company received distributions in excess of its 15% equity interest in the December 2001 Joint Venture. Due to the sale of all 36 industrial properties, the Company recognized, in aggregate, approximately \$34,767 from the Company's 15% share of gain from the sale of the December 2001 Joint Venture's properties and distributions received from the December 2001 Joint Venture in excess of the Company's 15% equity interest. This amount is included in Equity in Income of Joint Ventures.

As a result of the sale on August 27, 2004 to a third party, the Company recognized the unamortized portion of the previously deferred gain from the original sales to the December 2001 Joint Venture, of approximately \$5,836. These deferred gains are included in Equity in Income of Joint Ventures.

On May 16, 2003, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a joint venture arrangement (the May 2003 Joint Venture ) with an institutional investor to invest in industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership or First Industrial Investment, Inc., owns a 15% equity interest in the May 2003 Joint Venture and provides property management services to the May 2003 Joint Venture.

On March 18, 2005, the Company, through a wholly-owned limited liability company in which First Industrial Investment, Inc. is the sole member, entered into a joint venture arrangement (the March 2005 Joint Venture ) with an institutional investor to invest in, own, develop, redevelop and operate certain industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership or First Industrial Investment, Inc., owns a 10% equity interest in the March 2005 Joint Venture and provides property management, asset management, development management and leasing management services to the March 2005 Joint Venture.

On September 7, 2005, the Company, through a wholly-owned limited liability company in which First Industrial Investment, Inc. is the sole member, entered into a joint venture arrangement (the September 2005 Joint Venture ) with an institutional investor to invest in, own and operate certain industrial properties. The Company, through

wholly-owned limited liability companies of the Operating Partnership or First Industrial Investment, Inc., owns a 10% equity interest in the September 2005 Joint Venture and provides property management, asset management, development management and leasing management services to the September 2005 Joint Venture.

On March 21, 2006, the Company, through separate wholly-owned limited liability companies in 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

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

separate wholly-owned limited liability companies of the Operating Partnership or First Industrial Investment, Inc., owns a 15% equity interest in and provides property management, asset management and leasing 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 of First Industrial Investment, Inc., owns a 10% equity interest in and provides property management, asset management, development management and leasing management services to the July 2006 Joint Venture.

As of December 31, 2006, the September 1998 Joint Venture owned 41 industrial properties comprising approximately 1.3 million square feet (unaudited) of GLA, the May 2003 Joint Venture owned 12 industrial properties comprising approximately 5.4 million square feet (unaudited) of GLA, the March 2005 Joint Venture owned 42 industrial properties comprising approximately 3.9 million square feet (unaudited) of GLA and several land parcels, the September 2005 Joint Venture owned 148 industrial properties comprising approximately 10.3 million square feet (unaudited) of GLA and several land parcels, the March 2006 Co-Investment Program owned 13 industrial properties comprising approximately 5.9 million square feet (unaudited) of GLA (of which the Consolidated Operating Partnership has an equity interest in 12 industrial properties comprising approximately 5.0 million square feet (unaudited) of GLA) and the July 2006 Joint Venture owned several land parcels.

During the year ended December 31, 2006, the Company sold several land parcels to the March 2005 Joint Venture for a sales price of \$12.3 million. During the year ended December 31, 2005, the Company sold eight properties and several land parcels to the March 2005 Joint Venture for a sales price of \$92.6 million. The Company deferred 10% of the gain from these sales in 2006 and 2005, which is equal to the Company's economic interest in the March 2005 Joint Venture. In 2006 and 2005, the March 2005 Joint Venture sold three properties and several parcels of land to third parties. As a result of the sales, the Company recognized the unamortized portion of the previously deferred gains from the original sales to the March 2005 Joint Venture in Equity in Income of Joint Ventures. If the Company repurchases any of the properties or land parcels from the March 2005 Joint Venture, the 10% deferral will be netted against the basis of the property purchased (which reduces the basis of the property).

During the year ended December 31, 2006, the Company earned acquisition fees from the May 2003 Joint Venture, the September 2005 Joint Venture and the March 2006 Co-Investment Program. During the year ended December 31, 2005, the Company earned acquisition fees from the May 2003 Joint Venture and the September 2005 Joint Venture. The Company deferred 15% of the acquisition fees earned from the May 2003 Joint Venture and the March 2006 Co-Investment Program activity and 10% of the acquisition fees earned from the September 2005 Joint Venture activity. The deferrals reduced the Company's investment in the joint ventures and are amortized into income over the life of the properties, generally 25 to 40 years.

At December 31, 2006 and 2005, the Company has a receivable from the Joint Ventures of \$7,967 and \$3,354, respectively, which relates to development, leasing, property management and asset management fees due to the Company from the Joint Ventures, reimbursement for general contractor expenditures made by a wholly owned subsidiary of the Company who is acting in the capacity of the developer for several development projects for the March 2005 Joint Venture and from borrowings made to the September 1998 Joint Venture.

During the years ended December 31, 2006, 2005 and 2004, the Company invested the following amounts in its Joint Ventures as well as received distributions and recognized fees (included within Other Income) from

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acquisition, disposition, property management, leasing, development, general contractor, incentive and asset management services in the following amounts:

	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
Contributions	\$ 29,194	\$ 43,311	\$ 3,676
Distributions	\$ 51,398	\$ 6,837	\$ 50,525
Fees	\$ 22,507	\$ 8,301	\$ 2,689

The combined summarized financial information of the investments in joint ventures is as follows:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
<b>Condensed Combined Balance Sheets</b>		
Gross Real Estate Investment	\$ 1,685,969	\$ 1,410,389
Less: Accumulated Depreciation	(72,398)	(30,497)
Net Real Estate	1,613,571	1,379,892
Other Assets	224,048	256,233
Total Assets	\$ 1,837,619	\$ 1,636,125
Debt	\$ 1,276,001	\$ 1,174,296
Other Liabilities	108,430	46,962
Equity	453,188	414,867
Total Liabilities and Equity	\$ 1,837,619	\$ 1,636,125
Company's share of Equity	\$ 53,151	\$ 44,772
Basis Differentials(1)	2,376	(531)
Carrying Value of the Company's investments in joint ventures	\$ 55,527	\$ 44,241

- (1) This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level. Basis differentials are primarily comprised of gain deferrals related to properties the Company sold to the Joint Ventures, certain acquisition costs which are not reflected at the joint venture level and incentive payments the Company has earned but has not received.

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Condensed Combined Statements of Operations</b>			
Total Revenues	\$ 163,443	\$ 59,411	\$ 32,353
Expenses			
Operating and Other	55,070	16,128	11,593
Interest	61,524	20,995	7,712
Depreciation and Amortization	90,842	32,150	12,540
Total Expenses	207,436	69,273	31,845
Gain on Sale of Real Estate	94,352	10,761	81,431
Net Income	50,359	899	81,939
Company's share of Net Income	\$ 30,673	\$ 3,699	\$ 37,301

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. Mortgage Loans Payable, Net, Senior Unsecured Debt, Net and Unsecured Lines of Credit**

The following table discloses certain information regarding the Company's mortgage loans, senior unsecured debt and unsecured lines of credit:

	<b>Outstanding Balance at</b>		<b>Interest Rate at</b>	<b>Effective Interest Rate at</b>	<b>Maturity Date</b>
	<b>December 31, 2006</b>	<b>December 31, 2005</b>	<b>December 31, 2006</b>	<b>December 31, 2006</b>	
<b>Mortgage Loans Payable, Net</b>	\$ 77,926	\$ 57,309	5.50% - 9.25%	4.58% - 9.25%	July 2009 -
<i>Unamortized Premiums</i>	(2,919)	(3,549)			September 2024
<b>Mortgage Loans Payable, Gross</b>	\$ 75,007	\$ 53,760			