

DUKE REALTY CORP
Form 10-K
February 22, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

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

For the fiscal year ended December 31, 2012

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

For the transition period from _____ to _____
Commission File Number: 1-9044 (Duke Realty Corporation) 0-20625 (Duke Realty Limited Partnership)

DUKE REALTY CORPORATION
DUKE REALTY LIMITED PARTNERSHIP
(Exact Name of Registrant as Specified in Its Charter)

Indiana (Duke Realty Corporation)	35-1740409 (Duke Realty Corporation)
Indiana (Duke Realty Limited Partnership)	35-1898425 (Duke Realty Limited Partnership)
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

600 East 96 th Street, Suite 100	46240
Indianapolis, Indiana	(Zip Code)

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

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

	Title of Each Class:	Name of Each Exchange on Which Registered:
Duke Realty Corporation	Common Stock (\$.01 par value) Depositary Shares, each representing a 1/10 interest in a 6.625%	New York Stock Exchange
Duke Realty Corporation	Series J Cumulative Redeemable Preferred Share (\$.01 par value) Depositary Shares, each representing a 1/10 interest in a 6.5%	New York Stock Exchange
Duke Realty Corporation	Series K Cumulative Redeemable Preferred Share (\$.01 par value) Depositary Shares, each representing a 1/10 interest in a 6.6%	New York Stock Exchange
Duke Realty Corporation	Series L Cumulative Redeemable Preferred Share (\$.01 par value) Depositary Shares, each representing a 1/10 interest in an 8.375%	New York Stock Exchange
Duke Realty Corporation	Series O Cumulative Redeemable Preferred Share (\$.01 par value) None	New York Stock Exchange None

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Duke Realty Limited
Partnership

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Duke Realty Corporation Yes No Duke Realty Limited Partnership 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.

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Duke Realty Corporation:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Duke Realty Limited Partnership:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Realty Corporation Yes No Duke Realty Limited Partnership Yes No

The aggregate market value of the voting shares of Duke Realty Corporation's outstanding common shares held by non-affiliates of Duke Realty Corporation is \$3.9 billion based on the last reported sale price on June 30, 2012.

The number of common shares of Duke Realty Corporation, \$.01 par value outstanding as of February 22, 2013 was 321,666,224.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Duke Realty Corporation's Definitive Proxy Statement for its 2013 Annual Meeting of Shareholders (the "Proxy Statement") to be filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended, are incorporated by reference into this Form 10-K. Other than those portions of the Proxy Statement specifically incorporated by reference pursuant to Items 10 through 14 of Part III hereof, no other portions of the Proxy Statement shall be deemed so incorporated.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2012 of both Duke Realty Corporation and Duke Realty Limited Partnership. Unless stated otherwise or the context otherwise requires, references to "Duke Realty Corporation" or the "General Partner" mean Duke Realty Corporation and its consolidated subsidiaries; and references to the "Partnership" mean Duke Realty Limited Partnership and its consolidated subsidiaries. The terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership.

Duke Realty Corporation is a self-administered and self-managed real estate investment trust ("REIT") and is the sole general partner of the Partnership, owning 98.4% of the common partnership interests of the Partnership ("General Partner Units") as of December 31, 2012. The remaining 1.6% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner also owns preferred partnership interests in the Partnership ("Preferred Units").

The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

We believe combining the annual reports on Form 10-K of the General Partner and the Partnership into this single report results in the following benefits:

- enhances investors' understanding of the General Partner and the Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation of information since a substantial portion of the Company's disclosure applies to both the General Partner and the Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between the General Partner and the Partnership in the context of how we operate as an interrelated consolidated company. The General Partner's only material asset is its ownership of partnership interests in the Partnership. As a result, the General Partner does not conduct business itself, other than acting as the sole general partner of the Partnership and issuing public equity from time to time. The General Partner does not issue any indebtedness, but does guarantee the unsecured debt of the Partnership. The Partnership holds substantially all the assets of the business, directly or indirectly, and holds the ownership interests related to certain of the Company's investments. The Partnership conducts the operations of the business and has no publicly traded equity. Except for net proceeds from equity issuances by the General Partner, which are contributed to the Partnership in exchange for General Partner Units or Preferred Units, the Partnership generates the capital required by the business through its operations, its incurrence of indebtedness and the issuance of Limited Partner Units to third parties.

Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the General Partner and those of the Partnership. The noncontrolling interests in the Partnership's financial statements include the interests in consolidated investees not wholly owned by the Partnership. The noncontrolling interests in the General Partner's financial statements include the same noncontrolling interests at the Partnership level, as well as the common limited partnership interests in the Partnership, which are accounted for as partners' capital by the Partnership.

In order to highlight the differences between the General Partner and the Partnership, there are separate sections in this report, as applicable, that separately discuss the General Partner and the Partnership including separate financial statements, and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the General Partner and the Partnership, this report refers to actions or holdings as being actions or holdings of the collective Company.

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IMPORTANT INFORMATION ABOUT THIS REPORT

In this Annual Report on Form 10-K (this "Report") for Duke Realty Corporation (the "General Partner") and Duke Realty Limited Partnership (the "Partnership"), the terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership.

Cautionary Notice Regarding Forward-Looking Statements

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

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

- Changes in general economic and business conditions, including the financial condition of our tenants and the value of our real estate assets;
- The General Partner's continued qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- Heightened competition for tenants and potential decreases in property occupancy;
- Potential changes in the financial markets and interest rates;
- Volatility in the General Partner's stock price and trading volume;
- Our continuing ability to raise funds on favorable terms;
- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;
- Potential increases in real estate construction costs;
- Our ability to successfully dispose of properties on terms that are favorable to us, including, without limitation, through one or more transactions that are consistent with our previously disclosed strategic plans;
- Our ability to retain our current credit ratings;
- Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and
- Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission ("SEC").

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

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

PART I

Item 1. Business

Background

The General Partner is a self-administered and self-managed REIT, which began operations upon completion of an initial public offering in February 1986.

The Partnership was formed in October 1993, when the General Partner contributed all of its properties and related assets and liabilities, together with the net proceeds of \$309.2 million from an offering of an additional 14,000,833 shares of its common stock, to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. The General Partner is the sole general partner of the Partnership owning 98.4% of the common Partnership interests ("General Partner Units") as of December 31, 2012. The remaining 1.6% of the common Partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. Limited Partners have the right to redeem their Limited Partner Units, subject to certain restrictions. Pursuant to the Fourth Amended and Restated Agreement of Limited Partnership, as amended (the "Partnership Agreement"), the General Partner is obligated to redeem the Limited Partner Units in shares of its common stock, unless it determines in its reasonable discretion that the issuance of shares of its common stock could cause it to fail to qualify as a REIT. Each Limited Partner Unit shall be redeemed for one share of the General Partner's common stock, or, in the event that the issuance of shares could cause the General Partner to fail to qualify as a REIT, cash equal to the fair market value of one share of the General Partner's common stock at the time of redemption, in each case, subject to certain adjustments described in the Partnership Agreement. The Limited Partner Units are not required, per the terms of the Partnership Agreement, to be redeemed in registered shares of the General Partner. The General Partner also owns preferred partnership interests in the Partnership ("Preferred Units" and, together with the Common Units, the "Units").

As of December 31, 2012, our diversified portfolio of 774 rental properties (including 126 jointly controlled in-service properties with more than 25.6 million square feet, 17 consolidated properties under development with approximately 3.6 million square feet and two jointly controlled properties under development with approximately 874,000 square feet) encompasses more than 145.6 million rentable square feet and is leased by a diverse base of approximately 3,100 tenants whose businesses include government services, manufacturing, retailing, wholesale trade, distribution, healthcare and professional services. We also own, including through ownership interests in unconsolidated joint ventures, more than 4,600 acres of land and control an additional 1,600 acres through purchase options.

Our headquarters and executive offices are located in Indianapolis, Indiana. In addition, we have 17 regional offices or significant operations in Alexandria, Virginia; Atlanta, Georgia; Baltimore, Maryland; Chicago, Illinois; Cincinnati, Ohio; Columbus, Ohio; Dallas, Texas; Houston, Texas; Minneapolis, Minnesota; Nashville, Tennessee; Orlando, Florida; Phoenix, Arizona; Raleigh, North Carolina; St. Louis, Missouri; Savannah, Georgia; Tampa, Florida; and Weston, Florida. We had more than 840 employees as of December 31, 2012.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for information related to our operational, asset and capital strategies.

Reportable Operating Segments

We have four reportable operating segments at December 31, 2012, the first three of which consist of the ownership and rental of (i) industrial, (ii) office and (iii) medical office real estate investments. The operations of our industrial, office and medical office properties, along with our retail properties, are collectively referred to as "Rental Operations." Our retail properties, as well as any other properties not included in our reportable segments,

do not by themselves meet the quantitative thresholds for separate presentation as reportable segments. The fourth reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contractor and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which certain of the segment's aforementioned operations are conducted.

During 2012, one of the quantitative thresholds was triggered, whereby the assets of our medical office property operating segment exceeded 10% of total assets, which required our medical office property operating segment to be presented as a separate reportable segment. As such, our medical office properties are presented as a separate reportable segment for the year ended December 31, 2012, as well as for the comparative prior periods.

We assess and measure our overall operating results based upon an industry performance measure referred to as Funds From Operations ("FFO"), which management believes is a useful indicator of our consolidated operating performance. See Item 6, "Selected Financial Data," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" for disclosures and financial information related to our use of FFO as an internal measure of operating performance.

See Item 6, "Selected Financial Data," Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" for financial information related to our reportable segments.

Competitive Conditions

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

We believe that the management of real estate opportunities and risks can be done most effectively at regional or on local levels. As a result, we intend to continue our emphasis on increasing our market share, in alignment with our asset strategy (see Item 7), and effective rents in the primary markets where we own properties. We believe that this regional focus will allow us to assess market supply and demand for real estate more effectively as well as to capitalize on the strong relationships with our tenant base. In addition, we seek to further capitalize on strong customer relationships to provide third-party construction services across the United States. As a fully integrated real estate company, we are able to arrange for or provide to our industrial, office and medical office customers not only well located and well maintained facilities, but also additional services such as build-to-suit construction, tenant finish construction, and expansion flexibility.

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

Corporate Governance

Since our inception, we not only have strived to be a top-performer operationally, but also to lead in issues important to investors such as disclosure and corporate governance. The General Partner's system of governance reinforces this commitment and, as a limited partnership that has one general partner owning over 90% of the Partnership's common interest, the governance of the Partnership is necessarily linked to the corporate governance of the General Partner. Summarized below are the highlights of the General Partner's Corporate Governance initiatives.

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Board Composition	<ul style="list-style-type: none">• The General Partner's Board is controlled by supermajority (91.7%) of "Independent Directors," as such term is defined under the rules of the New York Stock Exchange (the "NYSE") as of January 30, 2013 and thereafter
Board Committees	<ul style="list-style-type: none">• The General Partner's Board Committee members are all Independent Directors
Lead Director	<ul style="list-style-type: none">• The Chairman of the General Partner's Corporate Governance Committee serves as Lead Director of the Independent Directors
Board Policies	<ul style="list-style-type: none">• No Shareholder Rights Plan (Poison Pill)• Code of Conduct applies to all Directors and employees of the General Partner, including the Chief Executive Officer and senior financial officers; waivers applied to executive officers require the vote of a majority of (i) the General Partner's Board of Directors or (ii) the General Partner's Corporate Governance Committee• Orientation program for new Directors of the General Partner• Independence of Directors of the General Partner is reviewed annually• Independent Directors of the General Partner meet at least quarterly in executive sessions• Independent Directors of the General Partner receive no compensation from the General Partner other than as Directors• Equity-based compensation plans require the approval of the General Partner's shareholders• Board effectiveness and performance is reviewed annually by the General Partner's Corporate Governance Committee• The General Partner's Executive Compensation Committee conducts an annual review, as delegated by the Corporate Governance Committee, of the Chief Executive Officer succession plan• Independent Directors and all Board Committees of the General Partner may retain outside advisors, as they deem appropriate• Policy governing retirement age for Directors of the General Partner• Prohibition on repricing of outstanding stock options of the General Partner• Directors of the General Partner required to offer resignation upon job change• Majority voting for election of Directors of the General Partner• Shareholder Communications Policy
Ownership	<p>Minimum Stock Ownership Guidelines apply to all Directors and Executive Officers of the General Partner</p> <p>The General Partner's Code of Conduct (which applies to all Directors and employees of the General Partner, including the Chief Executive Officer and senior financial officers) and the Corporate Governance Guidelines are available in the Investor Relations/Corporate Governance section of the General Partner's website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations. If we amend our Code of Conduct as it applies to the Directors, Chief Executive Officer or senior financial officers of the General Partner or grant a waiver from any provision of the Code of Conduct to any such person, we may, rather than filing a current report on Form 8-K, disclose such amendment or waiver in the Investor Relations/Corporate Governance section of the General Partner's website at www.dukerealty.com.</p> <p>Recent Federal Income Tax Developments</p> <p>New Tax Rates for U.S. Individuals, Estates and Trusts</p> <p>On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the 2012 Relief Act, which, among other things, permanently extends most of the reduced rates for U.S. individuals, estates and</p>

trusts with respect to ordinary income, qualified dividends and capital gains that had expired on December 31, 2012. The 2012 Relief Act, however, does not extend all of the reduced rates for high-income taxpayers. Beginning January 1, 2013, in the case of married couples filing joint returns with taxable income in excess of \$450,000, heads of households with taxable income in excess of \$425,000 and other individuals with taxable income in excess of \$400,000, the maximum rates on ordinary income will be 39.6% (as compared to 35% prior to 2013) and the maximum rates on long-term capital gains and qualified dividend income will be 20% (as compared to 15% prior to 2013). REIT dividends generally are not treated as qualified dividend income. Estates and trusts have more compressed rate schedules. Shareholders of the General Partner are urged to consult their tax advisors regarding the effect of the new tax rates and other tax provisions in the 2012 Relief Act on an investment in the General Partner's common stock.

Unearned Income Medicare Tax

Under the Health Care and Education Reconciliation Act of 2010, amending the Patient Protection and Affordable Care Act, high-income U.S. individuals, estates, and trusts will be subject to an additional 3.8% tax on net investment income in tax years beginning after December 31, 2012. For these purposes, net investment income includes dividends and gains from sales of stock. In the case of an individual, the tax will be 3.8% of the lesser of the individuals' net investment income or the excess of the individuals' modified adjusted gross income over \$250,000 in the case of a married individual filing a joint return or a surviving spouse, \$125,000 in the case of a married individual filing a separate return, or \$200,000 in the case of a single individual. U.S. shareholders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the General Partner's common stock.

Recent Changes in U.S. Federal Income Tax Withholding

After December 31, 2013, withholding at a rate of 30% will be required on dividends in respect of, and after December 31, 2016, withholding at a rate of 30% will be required on gross proceeds from the sale of shares of the General Partner's common stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury (unless alternative procedures apply pursuant to an applicable intergovernmental agreement between the United States and the relevant foreign government) to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which the General Partner's shares are held will affect the determination of whether such withholding is required. Similarly, after December 31, 2013, dividends in respect of, and after December 31, 2016, gross proceeds from the sale of, the General Partner's shares held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to the General Partner that such entity does not have any "substantial U.S. owners" or (ii) provides certain information regarding the entity's "substantial U.S. owners," which the General Partner will in turn provide to the Secretary of the Treasury. Non-U.S. shareholders of the General Partner are encouraged to consult with their tax advisers regarding the possible implications of these rules on their investment in the General Partner's common stock.

Additional Information

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

Available Information and Exchange Certifications

In addition to this Report, we file quarterly and current reports, proxy statements and other information with the SEC. All documents that are filed with the SEC are available free of charge on the General Partner's corporate website, which is www.dukerealty.com. We are not incorporating the information on the General Partner's website into this Report, and the General Partner's website and the information appearing on the General Partner's website is not included in, and is not part of, this Report. You may also read and copy any document filed at the public

reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's Interactive Data Electronic Application ("IDEA") via the SEC's home page on the Internet (<http://www.sec.gov>). In addition, since some of the General Partner's securities are listed on the NYSE, you may read the General Partner's SEC filings at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Item 1A. Risk Factors

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

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

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

Risks Related to Our Business

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

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

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

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

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

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

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

Downgrades in our credit ratings could increase our borrowing costs or reduce our access to funding sources in the credit and capital markets.

We have a significant amount of debt outstanding, consisting mostly of unsecured debt. We are currently assigned corporate credit ratings from Moody's Investors Service, Inc. and Standard and Poor's Ratings Group based on their evaluation of our creditworthiness. All of our debt ratings remain investment grade, but there can be no assurance that we will not be downgraded or that any of our ratings will remain investment grade. If our credit ratings are downgraded or other negative action is taken, we could be required, among other things, to pay additional interest and fees on outstanding borrowings under our revolving credit agreement.

Credit rating reductions by one or more rating agencies could also adversely affect our access to funding sources, the cost and other terms of obtaining funding as well as our overall financial condition, operating results and cash flow. If we are unable to generate sufficient capital and liquidity, then we may be unable to pursue future development projects and other strategic initiatives.

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

The General Partner's stock price and trading volume may be volatile, which could result in substantial losses to its shareholders and to the Partnership's unitholders, if and when they convert their Limited Partner Units to shares of the General Partner's common stock.

The market price of the General Partner's common and preferred stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume in the General Partner's common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect the General Partner's share price, or result in fluctuations in the price or trading volume of the General Partner's common stock, include uncertainty in the markets, general market and economic conditions, as well as those factors described in these "Risk Factors" and in other reports that we file with the SEC. Many of these factors are beyond our control, and we cannot predict their potential effects on the price of the General Partner's common and preferred stock. If the market prices of the General Partner's common and preferred stock decline, then its shareholders and the Partnership's unitholders, respectively, may be unable to resell their shares and units upon terms that are attractive to them. We cannot assure that the market price of the General Partner's common and preferred stock will not fluctuate or decline significantly in the future. In addition, the securities markets in general may experience considerable unexpected price and volume fluctuations.

We may issue debt and equity securities which are senior to the General Partner's common stock and preferred stock as to distributions and in liquidation, which could negatively affect the value of the General Partner's common and preferred stock and the Partnership's Common Units and Preferred Units.

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

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

Our use of joint ventures may negatively impact our jointly-owned investments.

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

- We could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop or operate a property;
- Our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties;
- Our joint venture partners may have competing interests in our markets that could create conflict of interest issues; and
- Maturities of debt encumbering our jointly owned investments may not be able to be refinanced at all or on terms that are as favorable as the current terms.

Risks Related to the Real Estate Industry

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

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

- Changes in the general economic climate;
- The availability of capital on favorable terms, or at all;
- Increases in interest rates;
- Local conditions such as oversupply of property or a reduction in demand;

- Competition for tenants;
- Changes in market rental rates;
- Oversupply or reduced demand for space in the areas where our properties are located;
- Delay or inability to collect rent from tenants who are bankrupt, insolvent or otherwise unwilling or unable to pay;
- Difficulty in leasing or re-leasing space quickly or on favorable terms;
- Costs associated with periodically renovating, repairing and reletting rental space;
- Our ability to provide adequate maintenance and insurance on our properties;
- Our ability to control variable operating costs;
- Changes in government regulations; and
- Potential liability under, and changes in, environmental, zoning, tax and other laws.

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

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

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

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

We continue to selectively develop new, pre-leased properties for rental operations in our existing markets when accretive returns are present. These development activities generally require various government and other approvals, which we may not receive. In addition, we also are subject to the following risks associated with development activities:

- Unsuccessful development opportunities could result in direct expenses to us;
- Construction costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or possibly unprofitable;
- Time required to complete the construction of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- Occupancy rates and rents of a completed project may not be sufficient to make the project profitable; and
- Favorable sources to fund our development activities may not be available.

We may be unsuccessful in operating completed real estate projects.

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

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

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

We are exposed to the risks of defaults by tenants.

Any of our tenants may experience a downturn in their businesses that may weaken their financial condition. In the event of default or the insolvency of a significant number of our tenants, we may experience a substantial loss of rental revenue and/or delays in collecting rent and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy protection, a court could allow the tenant to reject and terminate its lease with us. Our income and distributable cash flow would be adversely affected if a significant number of our tenants became unable to meet their obligations to us, became insolvent or declared bankruptcy.

We may be unable to renew leases or relet space.

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

Our insurance coverage on our properties may be inadequate.

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

Our acquisition and disposition activity may lead to long-term dilution.

Our asset strategy is to reposition our investment concentration among product types and further diversify our geographic presence. There can be no assurance that we will be able to execute the repositioning of our assets according to our strategy or that our execution will lead to improved results.

Acquired properties may expose us to unknown liability.

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

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons against the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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

As an owner and operator of real property, we may be liable under various federal, state and local laws for the costs of removal or remediation of certain hazardous substances released on or in our property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. In addition, we could have greater difficulty in selling real estate on which hazardous substances were present or in obtaining borrowings using such real estate as collateral. It is our general policy to have Phase I environmental audits performed for all of our properties and land by qualified environmental consultants at the time of purchase. These Phase I environmental audits have not revealed any environmental liability that would have a material adverse effect on our business. However, a Phase I environmental audit does not involve invasive procedures such as soil sampling or ground water analysis, and we cannot be sure that the Phase I environmental audits did not fail to reveal a significant environmental liability or that a prior owner did not create a material environmental condition on our properties or land which has not yet been discovered. We could also incur environmental liability as a result of future uses or conditions of such real estate or changes in applicable environmental laws.

We are exposed to the potential impacts of future climate change and climate-change related risks.

We are exposed to potential physical risks from possible future changes in climate. Our properties may be exposed to rare catastrophic weather events, such as severe storms and/or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase.

We do not currently consider that we are exposed to regulatory risk related to climate change. However, we may be adversely impacted as a real estate developer in the future by stricter energy efficiency standards for buildings.

Risks Related to Our Organization and Structure

If the General Partner were to cease to qualify as a REIT, it and its shareholders would lose significant tax benefits.

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

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

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

The General Partner's net earnings available for investment or distribution to its shareholders would decrease due to the additional tax liability for the year or years involved; and

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

As such, the General Partner's failure to qualify as a REIT would likely have a significant adverse effect on the value of the General Partner's securities and, consequently, the Partnership's Units.

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

To maintain its qualification as a REIT under the Code, the General Partner must annually distribute to its shareholders at least 90% of its REIT taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The General Partner intends to continue to make distributions to its shareholders to comply with the 90% distribution requirement. However, this requirement limits our ability to accumulate capital for use for other business purposes. If we do not have sufficient cash or other liquid assets to meet the distribution requirements of the General Partner, we may have to borrow funds or sell properties on adverse terms in order to meet the distribution requirements. If the General Partner fails to make a required distribution, it would cease to qualify as a REIT.

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

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

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

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

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

Business-Combination Provisions of Indiana Law. The General Partner has not opted out of the business-combination provisions of the Indiana Business Corporation Law. As a result, potential bidders may have to negotiate with the General Partner's board of directors before acquiring 10% of its stock. Without securing board approval of the proposed business combination before crossing the 10% ownership threshold, a bidder would not be permitted to complete a business combination for five years after becoming a 10% shareholder. Even after the five-year period, a business combination with the significant shareholder would either be required to meet certain per share price minimums as set forth in the Indiana Business Corporation Law or to receive the approval of a majority of the disinterested shareholders.

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

Supermajority Voting Provisions. The General Partner's charter prohibits business combinations or significant disposition transactions with a holder of 10% of its shares unless:

- The holders of 80% of the General Partner's outstanding shares of capital stock approve the transaction;
 - The transaction has been approved by three-fourths of those directors who served on the General Partner's board before the shareholder became a 10% owner; or
 - The significant shareholder complies with the "fair price" provisions of the General Partner's charter.
- Among the transactions with large shareholders requiring the supermajority shareholder approval are dispositions of assets with a value greater than or equal to \$1,000,000 and business combinations.
- Operating Partnership Provisions. The limited partnership agreement of the Partnership contains provisions that could discourage change-of-control transactions, including a requirement that holders of at least 90% of the outstanding Common Units approve:
- Any voluntary sale, exchange, merger, consolidation or other disposition of all or substantially all of the assets of the Partnership in one or more transactions other than a disposition occurring upon a financing or refinancing of the Partnership;
 - The General Partner's merger, consolidation or other business combination with another entity unless after the transaction substantially all of the assets of the surviving entity are contributed to the Partnership in exchange for Common Units;
 - The General Partner's assignment of its interests in the Partnership other than to one of its wholly-owned subsidiaries; and
 - Any reclassification or recapitalization or change of outstanding shares of the General Partner's common stock other than certain changes in par value, stock splits, stock dividends or combinations.

We are dependent on key personnel.

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

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

Product Review

As of December 31, 2012, we own interests in a diversified portfolio of 774 commercial properties encompassing more than 145.6 million net rentable square feet (including 126 jointly controlled in-service properties with more than 25.6 million square feet, 17 consolidated properties under development with approximately 3.6 million square feet and two jointly controlled properties under development with approximately 874,000 square feet).

Industrial Properties: We own interests in 493 industrial properties encompassing more than 114.5 million square feet (79% of total square feet). These properties primarily consist of bulk warehouses (industrial warehouse/distribution centers with clear ceiling heights of 20 feet or more), but also include service center properties (also known as flex buildings or light industrial, having 12-18 foot clear ceiling heights and a combination of drive-up and dock-height loading access). Of these properties, 423 buildings with more than 96.7 million square feet are consolidated and 70 buildings with more than 17.8 million square feet are jointly controlled.

Office Properties: We own interests in 196 office buildings totaling approximately 23.5 million square feet (16% of total square feet). These properties include primarily suburban office properties. Of these properties, 142

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buildings with more than 16.1 million square feet are consolidated and 54 buildings with approximately 7.4 million square feet are jointly controlled.

Medical Office Properties: We own interests in 79 medical office buildings totaling more than 6.3 million square feet (4% of total square feet). Of these properties, 77 buildings with approximately 5.6 million square feet are consolidated and two buildings with more than 732,000 square feet are jointly controlled.

Other Properties: We own interests in six retail buildings totaling more than 1.3 million square feet (1% of total square feet). Of these properties, four buildings with more than 739,000 square feet are consolidated and two buildings with more than 588,000 square feet are jointly controlled.

Land: We own, including through ownership interests in unconsolidated joint ventures, more than 4,600 acres of land and control an additional 1,600 acres through purchase options.

Property Descriptions

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

Consolidated Properties

	Square Feet				Overall	Percent of Overall	Annual Net Effective Rent (1)	Annual Net Effective Rent per Square Foot (2)	Percent of Annual Net Effective Rent	
	Industrial	Office	Medical Office	Other						
Primary Market										
Indianapolis	14,963,778	2,725,386	1,060,704	38,366	18,788,234	16.3 %	\$99,655,595	\$5.53	15.7 %	
Cincinnati	9,749,144	3,550,407	318,445	—	13,617,996	11.8 %	69,030,323	5.55	10.9 %	
South Florida	4,689,788	1,406,411	107,000	390,942	6,594,141	5.7 %	59,410,628	10.19	9.4 %	
Raleigh	2,800,680	2,416,512	356,836	20,061	5,594,089	4.8 %	52,284,609	9.76	8.2 %	
Atlanta	8,389,151	468,285	789,095	—	9,646,531	8.4 %	46,044,007	5.39	7.2 %	
Chicago	10,483,990	126,298	161,443	—	10,771,731	9.3 %	45,561,552	4.37	7.2 %	
St. Louis	3,691,755	2,649,209	—	—	6,340,964	5.5 %	37,790,242	7.05	6.0 %	
Nashville	3,252,010	989,249	120,660	—	4,361,919	3.8 %	33,457,754	8.07	5.3 %	
Other (3)	2,063,810	—	748,738	289,855	3,102,403	2.7 %	33,056,503	12.12	5.2 %	
Dallas	7,060,095	—	709,377	—	7,769,472	6.7 %	32,964,899	4.83	5.2 %	
Columbus	7,685,162	—	73,238	—	7,758,400	6.7 %	24,588,137	3.17	3.9 %	
Savannah	6,984,946	—	—	—	6,984,946	6.0 %	20,442,445	3.23	3.2 %	
Central Florida	3,360,479	—	252,751	—	3,613,230	3.1 %	20,299,717	5.85	3.2 %	
Minneapolis	3,720,250	—	—	—	3,720,250	3.2 %	15,756,373	4.52	2.5 %	
Southern California	2,389,040	—	—	—	2,389,040	2.1 %	12,498,272	5.23	2.0 %	
Houston	1,853,611	—	168,850	—	2,022,461	1.8 %	12,389,545	6.16	1.9 %	
Cleveland	—	1,058,211	—	—	1,058,211	0.9 %	10,134,448	12.79	1.6 %	
Washington DC	78,560	219,464	100,952	—	398,976	0.3 %	4,389,791	16.12	0.7 %	
Phoenix	1,048,965	—	—	—	1,048,965	0.9 %	4,284,000	4.31	0.7 %	
Total	94,265,214	15,609,432	4,968,089	739,224	115,581,959	100.0 %	\$634,038,840	\$5.91	100.0 %	
Percent of Overall	81.6 %	13.5 %	4.3 %	0.6 %	100.0 %					
	\$3.88	\$13.35	\$21.67	\$24.24	\$5.91					

Annual Net
Effective
Rent per
Square Foot
(2)

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Jointly Controlled Properties

	Square Feet				Overall	Annual Net		Annual Net Effective Rent per Square Foot (2)	Percent of Annual Net Effective Rent
	Industrial	Office	Medical Office	Other		Percent of Overall	Effective Rent (1)		
Primary Market									
Washington DC	664,762	2,146,775	—	—	2,811,537	11.0 %	\$46,600,914	\$19.14	23.5 %
Dallas	7,770,278	182,700	458,396	—	8,411,374	32.8 %	33,596,265	4.26	17.0 %
Indianapolis	4,684,919	—	—	—	4,684,919	18.3 %	14,654,307	3.18	7.3 %
Minneapolis	—	537,018	—	381,922	918,940	3.6 %	14,442,419	18.36	7.3 %
South Florida	—	610,712	—	—	610,712	2.4 %	13,209,869	21.80	6.7 %
Raleigh	—	687,549	—	—	687,549	2.7 %	12,994,784	19.38	6.6 %
Central Florida	908,422	624,796	—	—	1,533,218	6.0 %	12,214,022	8.34	6.2 %
Columbus	1,142,400	704,292	—	—	1,846,692	7.2 %	11,457,683	6.43	5.8 %
Cincinnati	210,830	540,867	—	206,315	958,012	3.7 %	10,187,077	10.71	5.1 %
Phoenix	1,829,735	—	—	—	1,829,735	7.1 %	9,333,043	5.10	4.7 %
Atlanta	—	436,275	—	—	436,275	1.7 %	5,717,027	20.19	2.9 %
St. Louis	—	252,378	—	—	252,378	1.0 %	3,968,493	16.52	2.0 %
Houston	—	248,925	—	—	248,925	1.0 %	3,747,660	15.06	1.9 %
Nashville	—	180,147	—	—	180,147	0.7 %	2,976,335	16.52	1.5 %
Chicago	—	203,304	—	—	203,304	0.8 %	2,873,334	16.79	1.5 %
Total	17,211,346	7,355,738	458,396	588,237	25,613,717	100.0 %	\$197,973,232	\$8.20	100.0 %
Percent of Overall	67.2 %	28.7 %	1.8 %	2.3 %	100.0 %				
Annual Net Effective Rent per Square Foot (2)	\$3.78	\$18.07	\$13.80	\$18.26	\$8.20				

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	Occupancy % Consolidated Properties					Jointly Controlled Properties						
	Industrial	Office	Medical Office	Other	Overall	Industrial	Office	Medical Office	Other	Overall		
Primary Market												
Indianapolis	96.8	% 92.3	% 93.2	% 70.1	% 95.9	% 98.3	% —	—	—	98.3	%	
Cincinnati	94.4	% 82.4	% 98.2	% —	91.4	% 100.0	% 98.7	% —	100.0	% 99.3	%	
South Florida	89.8	% 82.3	% 100.0	% 91.8	% 88.5	% —	99.2	% —	—	99.2	%	
Raleigh	98.7	% 93.7	% 89.0	% 58.3	% 95.8	% —	97.5	% —	—	97.5	%	
Atlanta	87.6	% 96.7	% 94.0	% —	88.6	% —	64.9	% —	—	64.9	%	
Chicago	96.8	% 100.0	% 97.2	% —	96.9	% —	84.2	% —	—	84.2	%	
St. Louis	93.6	% 71.9	% —	—	84.5	% —	95.2	% —	—	95.2	%	
Nashville	95.8	% 92.1	% 100.0	% —	95.1	% —	100.0	% —	—	100.0	%	
Other (3)	88.1	% —	87.5	% 87.7	% 88.0	% —	—	—	—	—		
Dallas	88.0	% —	86.4	% —	87.8	% 93.5	% 100.0	% 94.9	% —	93.7	%	
Columbus	100.0	% —	100.0	% —	100.0	% 100.0	% 90.9	% —	—	96.5	%	
Savannah	90.6	% —	—	—	90.6	% —	—	—	—	—		
Central Florida	98.0	% —	69.9	% —	96.0	% 100.0	% 88.9	% —	—	95.5	%	
Minneapolis	93.7	% —	—	—	93.7	% —	91.9	% —	76.8	% 85.6	%	
Southern California	100.0	% —	—	—	100.0	% —	—	—	—	—		
Houston	100.0	% —	92.6	% —	99.4	% —	100.0	% —	—	100.0	%	
Cleveland	—	74.9	% —	—	74.9	% —	—	—	—	—		
Washington DC	91.5	% 45.3	% 100.0	% —	68.2	% 87.6	% 86.3	% —	—	86.6	%	
Phoenix	94.8	% —	—	—	94.8	% 100.0	% —	—	—	100.0	%	
Total	94.3	% 84.2	% 91.0	% 88.1	% 92.7	% 96.1	% 90.5	% 94.9	% 84.9	% 94.2	%	

Represents the average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants as of December 31, 2012, excluding additional amounts paid by tenants as reimbursement for operating expenses. Joint venture properties are shown at 100% of square feet and net effective rents, without regard to our ownership percentage.

(2) Annual net effective rent per leased square foot.

(3) Represents properties not located in our primary markets, totaling 2.7% of the total square footage of our consolidated properties.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

The General Partner's common stock is listed for trading on the NYSE under the symbol "DRE." The following table sets forth the high and low sales prices of the General Partner's common stock for the periods indicated and the dividend or distribution paid per share or Common Unit by the General Partner or the Partnership, respectively, during each such period. There is no established trading market for the Partnership's Common Units. As of February 22, 2013, there were 7,640 record holders of the General Partner's common stock and 142 record holders of the Partnership's Common Units.

Quarter Ended	2012			2011		
	High	Low	Dividend/Distribution	High	Low	Dividend/Distribution
December 31	\$15.93	\$12.71	\$ 0.17	\$12.77	\$9.29	\$ 0.17
September 30	16.00	13.85	0.17	14.83	9.83	0.17
June 30	15.31	13.06	0.17	15.63	13.15	0.17
March 31	14.85	11.85	0.17	14.34	12.45	0.17

On January 30, 2013, the General Partner declared a quarterly cash dividend or distribution of \$0.17 per share or Common Unit, payable by the General Partner or the Partnership, respectively, on February 28, 2013, to common shareholders or common unitholders of record on February 13, 2013.

A summary of the tax characterization of the dividends paid per common share of the General Partner for the years ended December 31, 2012, 2011 and 2010 follows:

	2012	2011	2010	
Total dividends paid per share	\$0.68	\$0.68	\$0.68	
Ordinary income	14.1	% 3.3	% 24.9	%
Return of capital	85.9	% 96.7	% 56.3	%
Capital gains	—	% —	% 18.8	%
	100.0	% 100.0	% 100.0	%

Sales of Unregistered Securities

The General Partner did not sell any of its securities during the year ended December 31, 2012 that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

From time to time, we repurchase our securities under a repurchase program that initially was approved by the board of directors and publicly announced in October 2001 (the "Repurchase Program"). On April 25, 2012, the board of directors adopted a resolution that amended and restated the Repurchase Program and delegated authority to management to repurchase a maximum of \$100.0 million of common shares, \$300.0 million of debt securities and \$150.0 million of preferred shares (the "April 2012 Resolution"). The April 2012 Resolution will expire on April 25, 2013. We did not repurchase any securities through the Repurchase Program during the year end December 31, 2012 and the maximum amounts set forth under the April 2012 Resolution for the repurchase of common shares, debt securities and preferred shares remain available as part of the Repurchase Program.

Item 6. Selected Financial Data

The following sets forth selected financial and operating information on a historical basis for each of the years in the five-year period ended December 31, 2012. The following information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" included in this Form 10-K (in thousands, except per share or per Common Unit):

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	2012	2011	2010	2009	2008
Results of Operations:					
General Partner and Partnership					
Revenues:					
Rental and related revenue from continuing operations	\$834,369	\$742,883	\$669,543	\$625,410	\$583,014
General contractor and service fee revenue	275,071	521,796	515,361	449,509	434,624
Total revenues from continuing operations	\$1,109,440	\$1,264,679	\$1,184,904	\$1,074,919	\$1,017,638
Income (loss) from continuing operations	\$(87,786)	\$(2,807)	\$39,291	\$(233,425)	\$89,529
General Partner					
Net income (loss) attributable to common shareholders	\$(126,145)	\$31,416	\$(14,108)	\$(333,601)	\$50,408
Partnership					
Net income (loss) attributable to common unitholders	\$(128,418)	\$32,275	\$(14,459)	\$(344,700)	\$53,665
General Partner					
Per Share Data:					
Basic income (loss) per common share:					
Continuing operations	\$(0.53)	\$(0.27)	\$(0.18)	\$(1.48)	\$0.19
Discontinued operations	0.05	0.38	0.11	(0.19)	0.14
Diluted income (loss) per common share:					
Continuing operations	(0.53)	(0.27)	(0.18)	(1.48)	0.19
Discontinued operations	0.05	0.38	0.11	(0.19)	0.14
Dividends paid per common share	\$0.68	\$0.68	\$0.68	\$0.76	\$1.93
Weighted average common shares outstanding	267,900	252,694	238,920	201,206	146,915
Weighted average common shares and potential dilutive securities	267,900	259,598	238,920	201,206	154,553
Balance Sheet Data (at December 31):					
Total Assets	\$7,560,101	\$7,004,437	\$7,644,276	\$7,304,279	\$7,690,883
Total Debt	4,446,170	3,809,589	4,207,079	3,854,032	4,276,990
Total Preferred Equity	625,638	793,910	904,540	1,016,625	1,016,625
Total Shareholders' Equity	2,591,414	2,714,686	2,945,610	2,925,345	2,844,019
Total Common Shares Outstanding	279,423	252,927	252,195	224,029	148,420
Other Data:					
Funds from Operations attributable to common shareholders (1)	\$265,204	\$274,616	\$297,955	\$142,597	\$369,698
Partnership					
Per Unit Data:					
Basic income (loss) per Common Unit:					
Continuing operations	\$(0.53)	\$(0.27)	\$(0.18)	\$(1.48)	\$0.20
Discontinued operations	0.05	0.38	0.11	(0.19)	0.14
Diluted income (loss) per Common Unit:					
Continuing operations	(0.53)	(0.27)	(0.18)	(1.48)	0.20
Discontinued operations	0.05	0.38	0.11	(0.19)	0.14
Distributions paid per Common Unit	\$0.68	\$0.68	\$0.68	\$0.76	\$1.93
Weighted average Common Units outstanding	272,729	259,598	244,870	207,893	154,534

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Weighted average Common Units and potential dilutive securities	272,729	259,598	244,870	207,893	154,553
Balance Sheet Data (at December 31):					
Total Assets	\$7,560,101	\$7,003,982	\$7,644,124	\$7,304,493	\$7,690,442
Total Debt	4,446,170	3,809,589	4,207,079	3,854,032	4,276,990
Total Preferred Equity	625,638	793,910	904,540	1,016,625	1,016,625
Total Partners' Equity	2,616,803	2,775,037	2,984,619	2,960,516	2,895,810
Total Common Units Outstanding	283,842	259,872	257,426	230,638	155,199
Other Data:					
Funds from Operations attributable to common unitholders (1)	\$269,985	\$282,119	\$305,375	\$147,324	\$388,865

(1) In addition to net income (loss) computed in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we assess and measure the overall operating results of the General Partner and the Partnership based upon Funds From Operations ("FFO"), which is an industry performance measure that management believes is a useful indicator of consolidated operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of an equity real estate investment trust ("REIT") like Duke Realty Corporation. The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a non-GAAP supplemental measure of REIT operating performance. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar

adjustments for unconsolidated partnerships and joint ventures. The most comparable GAAP measure is net income (loss) attributable to common shareholders or common unitholders. FFO attributable to common shareholders or common unitholders should not be considered as a substitute for net income (loss) attributable to common shareholders or common unitholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Management believes that the use of FFO attributable to common shareholders or common unitholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that the use of FFO as a performance measure enables investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist them in comparing these operating results between periods or between different companies.

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

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

Business Overview

The General Partner is a self-administered and self-managed REIT that began operations in 1986 and is the sole general partner of the Partnership. The Partnership is a limited partnership formed in 1993, at which time all of the properties and related assets and liabilities of the General Partner, as well as proceeds from a secondary offering of the General Partner's common shares, were contributed to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. We operate the General Partner and the Partnership as one enterprise, and therefore, our discussion and analysis refers to the General Partner and its consolidated subsidiaries, including the Partnership, collectively.

As of December 31, 2012, we:

- Owned or jointly controlled 774 industrial, office, medical office and other properties, of which 755 properties with approximately 141.2 million square feet are in service and 19 properties with more than 4.4 million square feet are under development. The 755 in-service properties are comprised of 629 consolidated properties with approximately 115.6 million square feet and 126 jointly controlled properties with more than 25.6 million square feet. The 19 properties under development consist of 17 consolidated properties with approximately 3.6 million square feet and two jointly controlled properties with approximately 874,000 square feet.
- Owned, including through ownership interests in unconsolidated joint ventures, more than 4,600 acres of land and controlled an additional 1,600 acres through purchase options.

A key component of our overall strategy is to increase our investment in quality industrial properties in both existing and select new markets, expand our medical office portfolio nationally to take advantage of demographic trends and reduce our investment in suburban office properties and other non-strategic assets.

We have four reportable operating segments at December 31, 2012, the first three of which consist of the ownership and rental of (i) industrial, (ii) office and (iii) medical office real estate investments. The operations of our industrial, office and medical office properties, along with our retail properties, are collectively referred to as "Rental Operations." Our retail properties, as well as any other properties not included in our reportable segments, do not by themselves meet the quantitative thresholds for separate presentation as a reportable segment. The fourth reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contractor and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which

certain of the segment's operations are conducted.

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During 2012, one of the quantitative thresholds was triggered, which required our medical office property operating segment to be presented as a separate reportable segment. As such, our medical office properties are presented as a separate reportable segment for the year ended December 31, 2012, as well as for the comparative prior periods.

Operational Strategy

Our operational focus is to drive profitability by maximizing cash from operations as well as FFO through (i) maintaining and increasing property occupancy and rental rates by effectively managing our portfolio of existing properties; (ii) selectively developing new build-to-suit, substantially pre-leased and, in limited circumstances, speculative development projects; (iii) leveraging our construction expertise to act as a general contractor or construction manager on a fee basis; and (iv) providing a full line of real estate services to our tenants and to third parties.

Asset Strategy

Our asset strategy is to reposition our investment concentration among product types and further diversify our geographic presence. Our strategic objectives include (i) increasing our investment in quality industrial properties in both existing markets and select new markets; (ii) expanding our medical office portfolio nationally to take advantage of demographic trends; (iii) increasing our asset investment in markets we believe provide the best potential for future rental growth; and (iv) reducing our investment in suburban office properties located primarily in the Midwest as well as reducing our investment in other non-strategic assets. We are executing our asset strategy through a disciplined approach by identifying acquisition and development opportunities, while continually evaluating our portfolio for disposition by regularly identifying assets that no longer meet our long-term objectives.

Capital Strategy

Our capital strategy is to maintain a strong balance sheet by actively managing the components of our capital structure, in coordination with the execution of our overall operational and asset strategies. We are focused on maintaining investment grade ratings from our credit rating agencies with the ultimate goal of further improving the key metrics that formulate our credit ratings.

In support of our capital strategy, we employ an asset disposition program to sell non-strategic real estate assets, which generates proceeds that can be recycled into new property investments that better fit our growth objectives or can be used to reduce leverage and otherwise manage our capital structure.

We continue to focus on improving our balance sheet by maintaining a balanced and flexible capital structure which includes: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; and (iii) issuing common equity as needed to maintain appropriate leverage parameters or support significant strategic acquisitions. With our successes to date and continued focus on maintaining a strong balance sheet, we believe we are well-positioned for future growth.

Year in Review

There was modest overall economic improvement in certain key macroeconomic metrics, such as the national unemployment rate and the annual growth in the gross domestic product; however, the uncertainty around the November 2012 election, unresolved debt ceiling and fiscal cliff discussions, as well as persistent economic issues in Europe continued to weigh heavily on the willingness and ability of businesses to make long-term capital commitments during 2012. Those macro-economic factors produced challenges for our industry and specifically our business but, nonetheless, we improved several of our key operating metrics such as our in-service occupancy, our total leasing activity and our tenant retention rate.

Net loss attributable to the common shareholders of the General Partner for the year ended December 31, 2012, was \$126.1 million, or \$0.48 per share (diluted), compared to net income of \$31.4 million, or \$0.11 per share (diluted) for the year ended December 31, 2011. Net loss attributable to the common unitholders of the Partnership for the year ended December 31, 2012, was \$128.4 million, or \$0.48 per unit (diluted), compared to net income of \$32.3 million, or \$0.11 per unit (diluted) for the year ended December 31, 2011. For both the General Partner and the

Partnership, the net loss position in 2012, when compared to the net income generated in 2011, was primarily the result of a 79-building suburban office portfolio sale (the "Blackstone Office Disposition") in late 2011. In addition to the significantly higher gains on sale in 2011, the Blackstone Office Disposition resulted in lower operating results during 2012, as we had a significantly lower base of income-generating assets through the first half of 2012 until the proceeds from the Blackstone Office Disposition were fully re-invested in late 2012 according to plan.

FFO attributable to common shareholders of the General Partner totaled \$265.2 million for the year ended December 31, 2012, compared to \$274.6 million for 2011. FFO attributable to common unitholders of the Partnership totaled \$270.0 million for the year ended December 31, 2012, compared to \$282.1 million for 2011. For both the General Partner and the Partnership, the reduction in FFO from 2011 to 2012 was primarily due to the proceeds from the Blackstone Office Disposition not being fully deployed into income-generating assets until the second half of 2012.

In addition to net income (loss) computed in accordance with GAAP, we assess and measure the overall operating results of the General Partner and the Partnership based upon FFO, which is an industry performance measure that management believes is a useful indicator of consolidated operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. NAREIT created FFO as a non-GAAP supplemental measure of REIT operating performance. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures. The most comparable GAAP measure is net income (loss) attributable to common shareholders or common unitholders. FFO attributable to common shareholders or common unitholders should not be considered as a substitute for net income (loss) attributable to common shareholders or common unitholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Management believes that the use of FFO attributable to common shareholders or common unitholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that the use of FFO as a performance measure enables investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist them in comparing these operating results between periods or between different companies.

The following table shows a reconciliation of net income (loss) attributable to common shareholders or common unitholders to the calculation of FFO attributable to common shareholders or common unitholders for the years ended December 31, 2012, 2011 and 2010, respectively (in thousands):

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	2012	2011	2010
Net income (loss) attributable to common shareholders of the General Partner	\$(126,145)	\$31,416	\$(14,108)
Add back: Net income (loss) attributable to noncontrolling interests - common limited partnership interests in the Partnership	(2,273)	859	(351)
Net income (loss) attributable to common unitholders of the Partnership	(128,418)	32,275	(14,459)
Adjustments:			
Depreciation and amortization	379,419	385,679	360,184
Company share of joint venture depreciation and amortization	34,702	33,687	34,674
Earnings from depreciable property sales—wholly owned	(13,811)	(169,431)	(72,716)
Earnings from depreciable property sales—share of joint venture	(1,907)	(91)	(2,308)
Funds From Operations attributable to common unitholders of the Partnership	\$269,985	\$282,119	\$305,375
Additional General Partner Adjustments:			
Net (income) loss attributable to noncontrolling interests - common limited partnership interests in the Partnership	2,273	(859)	351
Noncontrolling interest share of adjustments	(7,054)	(6,644)	(7,771)
Funds From Operations attributable to common shareholders of the General Partner	\$265,204	\$274,616	\$297,955

We continued to make significant progress during 2012 in executing our stated asset strategy of increasing our investment in industrial and medical office properties and reducing our investment in suburban office properties. Additionally, we continued to improve our operational metrics, which is an indication of continued execution of our operational strategy. Highlights of our 2012 strategic activities are as follows:

During 2012, we acquired 27 medical office properties and ten industrial properties with a total combined value of \$779.7 million.

We generated \$138.1 million of total net cash proceeds from the disposition of 28 wholly-owned buildings and 210 acres of wholly-owned undeveloped land.

We had development starts of \$485.2 million within our consolidated properties, which were primarily comprised of industrial and medical office properties. These 2012 development starts were 86% pre-leased.

We increased our level of development investment during 2012 as compared to the last few years. The total estimated cost of our consolidated properties under construction was \$468.8 million at December 31, 2012, with \$225.2 million of such costs incurred through that date. The total estimated cost for jointly controlled properties under construction was \$109.6 million at December 31, 2012, with \$55.0 million of costs incurred through that date. The consolidated properties under construction are 84% pre-leased, while the jointly controlled properties under construction are 31% pre-leased.

The occupancy level for our in-service portfolio of consolidated properties increased from 90.8% at December 31, 2011 to 92.7% at December 31, 2012. The increase in occupancy was primarily driven by leasing up vacant space, as well as our acquisition and disposition activities.

We continued to have strong total leasing activity for our consolidated properties, with total leasing activity of 24.2 million square feet in 2012 compared to 19.7 million square feet in 2011.

Total leasing activity for our consolidated properties in 2012 included 13.6 million square feet of renewals, which represented an 83.7% retention rate, on a square foot basis, and resulted in a 1.4% increase in net effective rents.

We executed a number of significant transactions in support of our capital strategy during 2012 and January 2013 in order to optimally sequence our unsecured debt maturities, manage our overall leverage profile, and support our acquisition and development activities in alignment with our asset strategy. Highlights of our key financing activities are as follows:

In January 2013, the General Partner completed a public offering of 41.4 million common shares, at an issue price of \$14.25 per share, resulting in gross proceeds of \$590.0 million and, after underwriting fees

and estimated offering costs, net proceeds of approximately \$571.9 million. The net proceeds from this offering were used to repay all of the outstanding borrowings under the Partnership's existing revolving credit facility, which, as the result of recent acquisitions, had an outstanding balance of \$285.0 million as of December 31, 2012. The remaining proceeds will also be used to redeem all of the outstanding shares of the General Partner's 8.375% Series O Cumulative Redeemable Preferred Shares ("Series O Shares"), which are redeemable as of February 22, 2013, and for general corporate purposes.

Throughout 2012, the General Partner issued 22.7 million shares of common stock pursuant to its at the market ("ATM") equity program, generating gross proceeds of approximately \$322.2 million and, after considering commissions and other costs, net proceeds of approximately \$315.3 million.

In October 2012, we repaid \$50.0 million of medium term notes, which had an effective interest rate of 5.45%, at their scheduled maturity date.

In September 2012, we issued \$300.0 million of unsecured notes that bear interest at 3.875%, have an effective rate of 3.925%, and mature on October 15, 2022.

In August 2012, we repaid \$150.0 million of senior unsecured notes, which had an effective interest rate of 6.01%, at their scheduled maturity date.

In June 2012, we issued \$300.0 million of senior unsecured notes that bear interest at 4.375%, have an effective rate of 4.466%, and mature on June 15, 2022.

In March 2012, the General Partner redeemed all of the outstanding shares of its 6.950% Series M Cumulative Redeemable Preferred Shares ("Series M Shares") at a liquidation amount of \$168.3 million.

We assumed nine secured loans in conjunction with our 2012 acquisitions. These assumed loans had a total face value of \$96.1 million, a total fair value of \$100.8 million and carry a weighted average stated interest rate of 5.56%. We used a weighted average estimated market rate of 3.50% in determining the fair value of these loans.

Throughout 2012, we repaid five secured loans at their respective maturity dates totaling \$102.1 million. These loans had a weighted average stated interest rate of 6.08%.

Key Performance Indicators

Our operating results depend primarily upon rental income from our Rental Operations. The following discussion highlights the areas of Rental Operations that we consider critical drivers of future revenues.

Occupancy Analysis: As previously discussed, our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue from continuing operations. The following table sets forth percent leased and average net effective rent information regarding our in-service portfolio of consolidated rental properties as of December 31, 2012 and 2011, respectively (in thousands, except percentage data):

Type	Total Square Feet		Percent of Total Square Feet		Percent Leased*		Average Annual Net Effective Rent**	
	2012	2011	2012	2011	2012	2011	2012	2011
Industrial	94,265	90,383	81.6	% 81.9	% 94.3	% 92.2	% \$3.88	\$3.90
Office	15,610	16,228	13.5	% 14.7	% 84.2	% 83.5	% \$13.35	\$13.25
Medical Office	4,968	2,862	4.3	% 2.6	% 91.0	% 89.1	% \$21.67	\$20.60
Other	739	823	0.6	% 0.8	% 88.1	% 89.3	% \$24.24	\$23.84
Total	115,582	110,296	100.0	% 100.0	% 92.7	% 90.8	% \$5.91	\$5.73

* Represents the percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced.

** Represents average annual base rental payments per leased square foot, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. This amount excludes additional amounts paid by tenants as reimbursement for operating expenses.

The increase in occupancy at December 31, 2012 compared to December 31, 2011 is primarily driven by increased leasing activity in 2012 compared to 2011. We renewed 83.7% of our expiring leases during 2012 compared to 67.4% during 2011. Acquisitions of highly occupied properties also contributed to the improvement in overall occupancy, as we acquired properties during 2012 totaling approximately 6.7 million square feet that had average occupancy on acquisition of 94.4%.

The increase in average annual net effective rent per square foot is primarily the result of a shift in product mix, as we increased our investment in Medical Office properties, which generally earn a significantly higher rent per square foot than office and industrial properties, during 2012.

Total Leasing Activity

The initial leasing of development projects or vacant space in acquired properties is referred to as first generation lease activity. The re-leasing of space that had been previously leased is referred to as second generation lease activity. The total leasing activity for our consolidated rental properties, expressed in square feet of leases signed during the period, is as follows for the years ended December 31, 2012 and 2011, respectively (in thousands):

	2012	2011
New Leasing Activity - First Generation	5,628	3,597
New Leasing Activity - Second Generation	4,911	6,256
Renewal Leasing Activity	13,626	9,819
Total Leasing Activity	24,165	19,672

New Second Generation Leases

The following table sets forth the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the new second generation leases signed for our consolidated rental properties during the years ended December 31, 2012 and 2011, respectively (square feet data in thousands):

	Square Feet of New Second Generation Leases		Average Term in Years		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2012	2011	2012	2011	2012	2011	2012	2011
Industrial	3,900	4,512	7.0	5.3	\$2.65	\$2.11	\$1.55	\$1.33
Office	972	1,728	6.7	5.9	\$17.36	\$14.17	\$7.33	\$6.50
Medical Office	39	14	6.6	5.8	\$15.41	\$29.65	\$6.67	\$14.39
Other	—	2	—	3.0	\$—	\$—	\$—	\$1.63
Total	4,911	6,256	6.9	5.4	\$5.66	\$5.50	\$2.73	\$2.79

The reduction in new second generation leases in 2012 was, in large part, correlated with the increase in the lease renewal percentage for the year, as we had less vacant space available to be re-let to new tenants.

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Lease Renewals

The following table summarizes our lease renewal activity within our consolidated rental properties for the years ended December 31, 2012 and 2011, respectively (square feet data in thousands):

	Square Feet of Leases Renewed		Percent of Expiring Leases Renewed		Average Term in Years		Growth (Decline) in Net Effective Rents*		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Industrial	12,168	7,875	85.4 %	67.6 %	5.2	3.9	1.0 %	(4.1) %	\$0.42	\$0.78	\$0.80	\$0.76
Office	1,431	1,857	73.0 %	66.0 %	4.1	4.6	2.2 %	(1.4) %	\$3.35	\$5.58	\$3.01	\$4.43
Medical Office	27	76	39.1 %	80.0 %	6.5	4.3	6.1 %	9.4 %	\$1.59	\$3.32	\$1.14	\$1.46
Other	—	11	— %	86.3 %	—	4.7	— %	4.5 %	\$—	\$—	\$—	\$3.06
Total	13,626	9,819	83.7 %	67.4 %	5.1	4.0	1.4 %	(2.7) %	\$0.73	\$1.71	\$1.03	\$1.46

* Represents the percentage change in net effective rent between the original leases and the renewal leases. Net effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements.

We were successful in executing renewals during 2012 across all product types and markets, with our large industrial spaces having the most impact. The most significant individual renewal leases took place in our Indianapolis, Cincinnati, Chicago and Columbus industrial markets.

Lease Expirations

Our ability to maintain and improve occupancy rates, and net effective rents, primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our consolidated in-service portfolio lease expiration schedule, including square footage and annualized net effective rent for expiring leases, by property type as of December 31, 2012 (in thousands, except percentage data):

Year of Expiration	Total Consolidated Portfolio			Industrial		Office		Medical Office		Other	
	Square Feet	Ann. Rent Revenue*	% of Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*
2013	11,812	\$62,205	10 %	10,021	\$37,530	1,634	\$22,035	141	\$2,421	16	\$219
2014	12,530	67,376	11 %	10,675	41,985	1,658	21,812	190	3,371	7	208
2015	11,177	60,882	9 %	9,333	37,423	1,760	21,665	64	1,299	20	495
2016	13,111	67,913	11 %	11,251	42,267	1,600	20,387	237	4,765	23	494
2017	11,609	66,613	10 %	9,821	39,427	1,392	18,401	272	5,713	124	3,072
2018	10,356	68,651	11 %	8,117	30,884	1,530	20,660	496	11,644	213	5,463
2019	8,257	50,560	8 %	6,671	24,063	1,154	15,629	357	8,517	75	2,351
2020	7,834	48,537	8 %	6,497	25,738	868	12,996	429	8,932	40	871
2021	5,652	35,581	5 %	4,685	19,538	577	6,833	360	8,503	30	707
2022	5,628	30,946	5 %	4,899	16,934	270	4,644	428	8,671	31	697
2023 and Thereafter	9,227	74,776	12 %	6,902	28,948	707	10,492	1,546	34,120	72	1,216
Total Leased	107,193	\$634,040	100 %	88,872	\$344,737	13,150	\$175,554	4,520	\$97,956	651	\$15,793
Total Portfolio Square Feet	115,582			94,265		15,610		4,968		739	
Percent Leased	92.7 %			94.3 %		84.2 %		91.0 %		88.1 %	

* Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses.

Information on current market rents can be difficult to obtain, is highly subjective, and is often not directly comparable between properties. Because of this, we believe the increase or decrease in net effective rent on lease

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renewals, as previously defined, is the most objective and meaningful relationship between rents on leases expiring in the near-term and current market rents.

Acquisition Activity

Our decision process in determining whether or not to acquire a target property or portfolio involves several factors, including expected rent growth, multiple yield metrics, property locations and expected demographic growth in each location, current occupancy of the target properties, tenant profile and remaining terms of the in-place leases in the target properties. We pursue both brokered and non-brokered acquisitions and it is difficult to predict which markets and product types may present acquisition opportunities. Because of the numerous factors considered in our acquisition decisions, we do not establish specific target yields for future acquisitions.

We acquired 37 properties during the year ended December 31, 2012 and 59 properties, in addition to other real estate-related assets, during the year ended December 31, 2011. The following table summarizes the acquisition price, percent leased at time of acquisition and in-place yields, by product type, for these acquisitions (in thousands, except percentage data):

Type	2012 Acquisitions			2011 Acquisitions			Percent Leased at Acquisition Date***	Percent Leased at Acquisition Date***
	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***		
Industrial	\$265,203	6.6	% 94.9	% \$516,251	6.6	% 92.7	%	
Office	—	—	% —	% 90,603	5.1	% 66.8	%	
Medical Office	514,455	6.5	% 92.9	% 143,241	7.3	% 98.1	%	
Total	\$779,658	6.5	% 94.4	% \$750,095	6.5	% 91.5	%	

* Includes real estate assets and net acquired lease-related intangible assets but excludes other acquired working capital assets and liabilities.

** In-place yields of completed acquisitions are calculated as the current annualized net rental payments from space leased to tenants at the date of acquisition, divided by the acquisition price of the acquired real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

*** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of acquisition.

Disposition Activity

We regularly work to identify, consider and pursue opportunities to dispose of properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans. We sold 28 buildings during the year ended December 31, 2012 and 119 buildings during the year ended December 31, 2011. The following table summarizes the sales prices, in-place yields and percent leased, by product type, of these building sales (in thousands, except percentage data):

Type	2012 Dispositions			2011 Dispositions			Percent Leased**	Percent Leased**
	Sales Price	In-Place Yield*	Percent Leased**	Sales Price	In-Place Yield*	Percent Leased**		
Industrial	\$60,913	8.4	% 79.3	% \$82,903	6.0	% 69.4	%	
Office	58,881	7.1	% 79.4	% 1,546,094	8.4	% 85.7	%	
Other	11,400	9.0	% 80.5	% —	—	% —	%	
Total	\$131,194	7.9	% 79.4	% \$1,628,997	8.2	% 83.5	%	

* In-place yields of completed dispositions are calculated as current annualized net rental payments from space leased to tenants at the date of sale, divided by the sales price of the real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of sale.

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Development

Another source of our earnings growth is our wholly-owned and joint venture development activities. We expect to generate future earnings from Rental Operations as the development properties are placed in service and leased. We increased our development activities in 2012 for industrial and medical office properties with significant pre-leasing, as well as for speculative developments, in limited circumstances, in markets that we believe will provide future growth. We believe these two product lines will be the areas of greatest future growth.

We had 4.4 million square feet of consolidated or jointly controlled properties under development with total estimated costs upon completion of \$578.5 million at December 31, 2012, compared to 913,000 square feet of property under development with total estimated costs of \$213.5 million at December 31, 2011. The square footage and estimated costs include both wholly-owned and joint venture development activity at 100%. The following table summarizes our properties under development as of December 31, 2012 (in thousands, except percentage data):

Ownership Type	Square Feet	Percent Leased	Total Estimated Project Costs	Total Incurred to Date	Amount Remaining to be Spent
Consolidated properties	3,572	84	% \$468,847	\$225,222	\$243,625
Joint venture properties	874	31	% 109,648	54,994	54,654
Total	4,446	73	% \$578,495	\$280,216	\$298,279

We directly own over 3,500 acres of undeveloped land, of which we intend to develop over 2,200 acres. We believe that the land we intend to develop can support over 37.0 million square feet of primarily industrial, but also office and medical office, developments.

Results of Operations

A summary of our operating results and property statistics for each of the years in the three-year period ended December 31, 2012, is as follows (in thousands, except number of properties and per share or per Common Unit data):

	2012	2011	2010
Rental and related revenue from continuing operations	\$834,369	\$742,883	\$669,543
General contractor and service fee revenue	275,071	521,796	515,361
Operating income	160,959	217,984	184,567
General Partner			
Net income (loss) attributable to common shareholders	\$(126,145)	\$31,416	\$(14,108)
Weighted average common shares outstanding	267,900	252,694	238,920
Weighted average common shares and potential dilutive securities	267,900	259,598	238,920
Partnership			
Net income (loss) attributable to common unitholders	\$(128,418)	\$32,275	\$(14,459)
Weighted average Common Units outstanding	272,729	259,598	244,870
Weighted average Common Units and potential dilutive securities	272,729	259,598	244,870
General Partner and Partnership			
Basic income (loss) per common share or Common Unit:			
Continuing operations	\$(0.53)	\$(0.27)	\$(0.18)
Discontinued operations	\$0.05	\$0.38	\$0.11
Diluted income (loss) per common share or Common Unit:			
Continuing operations	\$(0.53)	\$(0.27)	\$(0.18)
Discontinued operations	\$0.05	\$0.38	\$0.11
Number of in-service consolidated properties at end of year	629	616	669
In-service consolidated square footage at end of year	115,582	110,296	114,078
Number of in-service joint venture properties at end of year	126	126	114
In-service joint venture square footage at end of year	25,614	25,295	22,657

Comparison of Year Ended December 31, 2012 to Year Ended December 31, 2011

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment, as well as total rental and related revenue from discontinued operations, for the years ended December 31, 2012 and 2011, respectively (in thousands):

	2012	2011
Rental and Related Revenue:		
Industrial	\$438,525	\$379,030
Office	267,982	272,807
Medical Office	98,647	57,673
Other	29,215	33,373
Total Rental and Related Revenue from Continuing Operations	\$834,369	\$742,883
Rental and Related Revenue from Discontinued Operations	8,284	194,166
Total Rental and Related Revenue from Continuing and Discontinued Operations	\$842,653	\$937,049

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

We acquired 96 properties, of which 51 were industrial and 38 were medical office, and placed eleven developments in service from January 1, 2011 to December 31, 2012, which provided incremental revenues of \$91.3 million in the year ended December 31, 2012 over 2011.

The sale of 13 office properties to an unconsolidated joint venture in the first quarter of 2011 resulted in a \$10.1 million decrease in rental and related revenue from continuing operations in 2012, which partially offset the impact of newly acquired or developed properties.

The remaining increase in rental and related revenue from continuing operations is primarily due to improved results within the properties that have been in service for all of 2011 and 2012. Higher levels of occupancy primarily drove the overall improvement within these properties, as rental rates increased modestly but did not significantly contribute to the increase in revenues from continuing operations.

The overall shift of revenues and income from office properties to industrial and medical office properties is consistent with our continuing strategy to increase our asset concentration in industrial and medical office properties while reducing our overall investment in office properties.

The decrease in rental revenues from discontinued operations is primarily a result of the Blackstone Office Disposition that took place in December 2011.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing operations by reportable segment, as well as total rental expenses and real estate taxes from discontinued operations, for the years ended December 31, 2012 and 2011, respectively (in thousands):

	2012	2011
Rental Expenses:		
Industrial	\$44,309	\$41,362
Office	79,467	77,979
Medical Office	23,026	17,121
Other	6,333	8,155
Total Rental Expenses from Continuing Operations	\$153,135	\$144,617
Rental Expenses from Discontinued Operations	2,255	60,430
Total Rental Expenses from Continuing and Discontinued Operations	\$155,390	\$205,047
Real Estate Taxes:		
Industrial	\$67,041	\$59,353
Office	33,059	34,298
Medical Office	9,689	5,102
Other	3,854	3,524
Total Real Estate Tax Expense from Continuing Operations	\$113,643	\$102,277
Real Estate Tax Expense from Discontinued Operations	1,031	28,693
Total Real Estate Tax Expense from Continuing and Discontinued Operations	\$114,674	\$130,970

Overall, rental expenses from continuing operations increased by \$8.5 million in 2012 compared to 2011. While we recognized incremental rental expenses of \$9.5 million associated with the additional 96 properties acquired and eleven developments placed in service since January 1, 2011, we also sold 13 office properties to an unconsolidated joint venture in late March 2011, which resulted in a \$2.8 million decrease in rental expenses from continuing operations in 2012 as compared to 2011.

Overall, real estate taxes from continuing operations increased by \$11.4 million in 2012 compared to 2011. We recognized incremental real estate tax expense of \$12.4 million associated with the additional 96 properties acquired and eleven developments placed in service since January 1, 2011. This increase was partially offset by a \$1.6 million decrease in real estate taxes from continuing operations related to the 13 properties that were sold to an unconsolidated joint venture during the first quarter of 2011.

Service Operations

The following table sets forth the components of the Service Operations reportable segment for the years ended December 31, 2012 and 2011, respectively (in thousands):

	2012	2011
Service Operations:		
General contractor and service fee revenue	\$275,071	\$521,796
General contractor and other services expenses	(254,870)	(480,480)
Total	\$20,201	\$41,316

Service Operations primarily consist of the leasing, property management, asset management, development, construction management and general contractor services for joint venture properties and properties owned by third parties. Service Operations are heavily influenced by the current state of the economy, as leasing and property management fees are dependent upon occupancy, while construction and development services rely on the expansion of business operations of third-party property owners and joint venture partners. A significant decrease in third-party construction volume in 2012 compared to 2011, due to some significant third-party construction jobs being completed, drove the decrease in our earnings from Service Operations. In 2012, we focused more of our internal resources on the development and leasing of properties we own rather than on replacing the third-party construction contracts that were completed.

Depreciation and Amortization Expense

Depreciation and amortization expense increased from \$326.2 million in 2011 to \$376.0 million in 2012 primarily due to depreciation related to additions to our continuing operations asset base from acquisition activity, which have shorter depreciable lives relative to developed properties, and developments placed in service in 2011 and 2012.

Gain on Sale of Properties - Continuing Operations

We sold 18 properties during 2011 that did not meet the criteria for inclusion in discontinued operations, recognizing total gains on sale of \$68.5 million.

General and Administrative Expenses

General and administrative expenses consist of two components. The first component includes general corporate expenses and the second component includes the indirect operating costs not allocated to, or absorbed by, the development or Rental Operations of our wholly-owned properties or our Service Operations. The indirect operating costs that are either allocated to, or absorbed by, the development or Rental Operations of our wholly-owned properties, or our Service Operations, are primarily comprised of employee compensation, including related costs such as benefits and wage-related taxes, but also include other ancillary costs such as travel and information technology support. Total indirect operating costs, prior to any allocation or absorption, and general corporate expenses are collectively referred to as our overall pool of overhead costs.

Those indirect costs not allocated to or absorbed by these operations are charged to general and administrative expenses. We regularly review our total overhead cost structure relative to our leasing, development and construction volume and adjust the level of total overhead, generally through changes in our level of staffing in various functional departments, as necessary in order to control overall general and administrative expense.

General and administrative expenses increased from \$43.1 million in 2011 to \$46.4 million in 2012. The following table sets forth the factors that led to the increase in general and administrative expenses from 2011 to 2012 (in millions):

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General and administrative expenses - 2011	\$43.1	
Reduction to overall pool of overhead costs (1)	(11.0))
Increased absorption of costs by wholly-owned development and leasing activities (2)	(14.7))
Reduced allocation of costs to Service Operations and Rental Operations (3)	29.0	
General and administrative expenses - 2012	\$46.4	

(1) We reduced our total pool of overhead costs, through staff reductions and other measures, as the result of changes in our product mix and anticipated future levels of third-party construction, leasing, management and other operational activities.

(2) We increased our focus on development of wholly-owned properties, and also significantly increased our leasing activity during 2012, which resulted in an increased absorption of overhead costs. We capitalized \$30.4 million and \$20.0 million of our total overhead costs to leasing and development, respectively, for consolidated properties during 2012, compared to capitalizing \$25.3 million and \$10.4 million of such costs, respectively, for 2011. Combined overhead costs capitalized to leasing and development totaled 31.1% and 20.6% of our overall pool of overhead costs for 2012 and 2011, respectively.

(3) The reduction in the allocation of overhead costs to Service Operations and Rental Operations resulted from reduced volumes of third-party construction projects as well as due to reducing our overall investment in office properties, which are more management intensive.

Interest Expense

Interest expense allocable to continuing operations increased from \$220.5 million in 2011 to \$245.2 million in 2012. We had \$47.4 million of interest expense allocated to discontinued operations in 2011, associated with the properties that were disposed of during 2011, compared to the allocation of only \$3.1 million of interest expense to discontinued operations for 2012. Total interest expense, combined for continuing and discontinued operations, decreased from \$267.8 million in 2011 to \$248.3 million in 2012. The reduction in total interest expense was primarily the result of a lower weighted average borrowing rate in 2012, due to refinancing some higher rate bonds in 2011 and 2012, as well as a slight decrease in our average level of borrowings compared to 2011. Also, due to an increase in properties under development from 2011, which met the criteria for capitalization of interest and were financed in part by common equity issuances during 2012, a \$5.0 million increase in capitalized interest also contributed to the decrease in total interest expense in 2012.

Acquisition-Related Activity

During 2012, we recognized approximately \$4.2 million in acquisition costs, compared to \$2.3 million of such costs in 2011. The increase from 2011 to 2012 is the result of acquiring a higher volume of medical office properties, where a higher level of acquisition costs are incurred than other property types, in 2012. During 2011, we also recognized a \$1.1 million gain related to the acquisition of a building from one of our 50%-owned unconsolidated joint ventures.

Discontinued Operations

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

The operations of 150 buildings are currently classified as discontinued operations. These 150 buildings consist of 114 office, 30 industrial, four retail, and two medical office properties. As a result, we classified operating losses, before gain on sales, of \$1.5 million, \$1.8 million and \$7.1 million in discontinued operations for the years ended December 31, 2012, 2011 and 2010, respectively.

Of these properties, 28 were sold during 2012, 101 properties were sold during 2011 and 19 properties were sold during 2010. The gains on disposal of these properties of \$13.5 million, \$100.9 million and \$33.1 million for the years ended December 31, 2012, 2011 and 2010, respectively, are also reported in discontinued operations. There are two properties classified as held-for-sale and included in discontinued operations at December 31, 2012.

Comparison of Year Ended December 31, 2011 to Year Ended December 31, 2010

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment, as well as total rental and related revenue from discontinued operations, for the years ended December 31, 2011 and 2010, respectively (in thousands):

	2011	2010
Rental and Related Revenue:		
Industrial	\$379,030	\$280,538
Office	272,807	313,712
Medical Office	57,673	44,287
Other	33,373	31,006
Total Rental and Related Revenue from Continuing Operations	\$742,883	\$669,543
Rental and Related Revenue from Discontinued Operations	194,166	248,024
Total Rental and Related Revenue from Continuing and Discontinued Operations	\$937,049	\$917,567

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

We acquired 108 properties, of which 87 were industrial, and placed nine developments in service from January 1, 2010 to December 31, 2011, which provided incremental revenues of \$79.8 million in the year ended December 31, 2011 over 2010.

We consolidated 106 industrial buildings as a result of acquiring our joint venture partner's 50% interest in Dugan Realty, L.L.C. ("Dugan") on July 1, 2010. The consolidation of these buildings resulted in an increase of \$37.2 million in rental and related revenue for the year ended December 31, 2011, as compared to the same period in 2010.

We sold 23 office properties to an unconsolidated joint venture in 2010 and the first quarter of 2011, resulting in a \$55.2 million decrease in rental and related revenue from continuing operations in 2011.

The remaining increase in rental and related revenues is primarily due to improved results within the properties that have been in service for all of 2010 and 2011. Although rental rates declined slightly on our lease renewals, the effect was not significant to revenues and improved occupancy drove the overall improvement within these properties.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing operations by reportable segment, as well as total rental expenses and real estate taxes from discontinued operations, for the years ended December 31, 2011 and 2010, respectively (in thousands):

	2011	2010
Rental Expenses:		
Industrial	\$41,362	\$28,033
Office	77,979	88,378
Medical Office	17,121	12,780
Other	8,155	5,675
Total Rental Expenses from Continuing Operations	\$144,617	\$134,866
Rental Expenses from Discontinued Operations	60,430	72,146
Total Rental Expenses from Continuing and Discontinued Operations	\$205,047	\$207,012
Real Estate Taxes:		
Industrial	\$59,353	\$42,303
Office	34,298	39,420
Medical Office	5,102	3,330
Other	3,524	3,553
Total Real Estate Tax Expense from Continuing Operations	\$102,277	\$88,606
Real Estate Tax Expense from Discontinued Operations	28,693	35,266
Total Real Estate Tax Expense from Continuing and Discontinued Operations	\$130,970	\$123,872

We recognized incremental rental expenses of \$16.2 million associated with the additional 108 properties acquired (of which 87 were industrial) and nine developments placed in service since January 1, 2010. The July 1, 2010 consolidation of 106 industrial buildings in Dugan also resulted in a \$5.3 million increase in rental expense for industrial properties. The aforementioned increases were partially offset by a decrease of \$12.5 million related to 23 properties that were sold to an unconsolidated joint venture during 2010 and the first quarter of 2011.

We recognized incremental real estate taxes of \$12.8 million associated with the additional 108 properties acquired and nine developments placed in service since January 1, 2010. The July 1, 2010 consolidation of 106 industrial buildings in Dugan resulted in incremental real estate taxes of \$6.2 million. The aforementioned increases were partially offset by a decrease of \$7.8 million related to 23 properties that were sold to an unconsolidated joint venture during 2010 and the first quarter of 2011. The remaining increases were the result of increased taxes on our properties that have been in service for all of 2010 and 2011.

Service Operations

The following table sets forth the components of the Service Operations reportable segment for the years ended December 31, 2011 and 2010, respectively (in thousands):

	2011	2010
Service Operations:		
General contractor and service fee revenue	\$521,796	\$515,361
General contractor and other services expenses	(480,480)	(486,865)
Total	\$41,316	\$28,496

The increase in earnings from Service Operations was due to increased profitability on third-party construction activities performed during 2011 compared to 2010, as overall construction volume was relatively consistent between the years.

Depreciation and Amortization Expense

Depreciation and amortization expense increased from \$276.0 million in 2010 to \$326.2 million in 2011 primarily as the result of acquisition activity, where depreciation expense is accelerated relative to developed properties, in 2010 and 2011.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income or loss from investments in unconsolidated companies that generally own and operate rental properties. Equity in earnings decreased from \$8.0 million in 2010 to \$4.6 million in 2011. The decrease was largely due to the consolidation of 106 properties upon the acquisition of our partner's 50% interest in Dugan on July 1, 2010.

Gain on Sale of Properties - Continuing Operations

Gains on sales of properties classified in continuing operations increased from \$39.7 million in 2010 to \$68.5 million in 2011. We sold 18 properties during 2011 that did not meet the criteria for inclusion in discontinued operations, compared to 17 of such properties in 2010. Of the properties sold in 2011 and 2010, 13 and seven properties, respectively, were sold to a 20%-owned joint venture. The combined gain on sale of these properties was \$62.1 million and \$31.9 million in 2011 and 2010, respectively.

Impairment Charges

Impairment charges classified in continuing operations include the impairment of undeveloped land and buildings, investments in unconsolidated subsidiaries and other real estate related assets. The increase from \$9.8 million in 2010 to \$12.9 million in 2011 is primarily due to the following activity:

In 2011, we recognized \$12.9 million of impairment charges related to parcels of land, which we intend to sell, where recent market activity led us to determine that a decline in fair value had occurred.

In 2010, we sold approximately 60 acres of land, in two separate transactions, which resulted in impairment charges of \$9.8 million. These sales were opportunistic in nature and we had not identified or actively marketed this land for disposition, as it was previously intended to be held for development.

General and Administrative Expenses

General and administrative expenses increased from \$41.3 million in 2010 to \$43.1 million in 2011. The following table sets forth the factors that led to the increase in general and administrative expenses from 2010 to 2011 (in millions):

General and administrative expenses - 2010	\$41.3	
Increase to overall pool of overhead costs (1)	5.7	
Increased absorption of costs by wholly-owned development and leasing activities (2)	(3.7))
Increased allocation of costs to Service Operations and Rental Operations	(0.2))
General and administrative expenses - 2011	\$43.1	

(1) The increase to our overall pool of overhead costs from 2010 is largely due to increased severance pay related to overhead reductions that took place near the end of 2011.

(2) Our total leasing activity increased and we also increased wholly owned development activities from 2010. We capitalized \$25.3 million and \$10.4 million of our total overhead costs to leasing and development, respectively, for consolidated properties during 2011, compared to capitalizing \$23.5 million and \$8.5 million of such costs, respectively, for 2010. Combined overhead costs capitalized to leasing and development totaled 20.6% and 19.1% of our overall pool of overhead costs for 2011 and 2010, respectively.

Interest Expense

Interest expense from continuing operations increased from \$186.4 million in 2010 to \$220.5 million in 2011. The increase was primarily a result of increased average outstanding debt during 2011 compared to 2010, which was driven by our acquisition activities as well as other uses of capital. A \$7.2 million decrease in the capitalization of

interest costs, the result of developed properties no longer meeting the criteria for interest capitalization, also contributed to the increase in interest expense.

Gain (Loss) on Debt Transactions

There were no gains or losses on debt transactions during 2011.

During 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$292.2 million for unsecured notes that had a face value of \$279.9 million. We recognized a net loss on extinguishment of \$16.3 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments.

Acquisition-Related Activity

During 2011, we recognized approximately \$2.3 million in acquisition costs, compared to \$1.9 million of such costs in 2010. During 2011, we also recognized a \$1.1 million gain related to the acquisition of a building from one of our 50%-owned unconsolidated joint ventures, compared to a \$57.7 million gain in 2010 on the acquisition of our joint venture partner's 50% interest in Dugan.

Critical Accounting Policies

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

Accounting for Joint Ventures: We analyze our investments in joint ventures to determine if the joint venture is a variable interest entity (a "VIE") and would require consolidation. We (i) evaluate the sufficiency of the total equity at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (iii) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. To the extent that we (i) are the sole entity that has the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary of the VIE and would consolidate it. At each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary. To the extent that our joint ventures do not qualify as VIEs, we further assess each partner's substantive participating rights to determine if the venture should be consolidated.

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

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the

basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in earnings of the joint venture. We recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

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

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

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

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

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

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

impairment differ from those of a marketplace participant, the assumptions are modified in order to estimate the fair value of a real estate asset when an impairment charge is measured. In addition to determining future cash flows, which make the estimation of a real estate asset's undiscounted cash flows highly subjective, the selection of the discount rate and exit capitalization rate used in applying the income approach is also highly subjective.

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

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

Acquisition of Real Estate Property and Related Assets: We allocate the purchase price of acquired properties to tangible and identified intangible assets based on their respective fair values, using all pertinent information available at the date of acquisition. The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant. This "as-if vacant" value is estimated using an income, or discounted cash flow, approach that relies upon internally determined assumptions that we believe are consistent with current market conditions for similar properties. The most important assumptions in determining the allocation of the purchase price to tangible assets are the exit capitalization rate, discount rate, estimated market rents, and hypothetical expected lease-up periods. The purchase price of real estate assets is also allocated to intangible assets consisting of the above or below market component of in-place leases and the value of in-place leases.

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

Factors considered in determining the value allocable to in-place leases include estimates, during hypothetical expected lease-up periods, of space that is actually leased at the time of acquisition, of lost rent at market rates, fixed operating costs that will be recovered from tenants, and theoretical leasing commissions required to execute similar leases. These intangible assets are included in deferred leasing and other costs in the balance sheet and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

We record assets acquired in step acquisitions at their full fair value and record a gain or loss for the difference between the fair value and the carrying value of our existing equity interest. Additionally, contingencies arising from a business combination are recorded at fair value if the acquisition date fair value can be determined during the measurement period.

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

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

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

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

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

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

• Criteria for identifying and selecting our critical accounting policies;

• Methodology in applying our critical accounting policies; and

• Impact of the critical accounting policies on our financial statements.

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

Liquidity and Capital Resources

Sources of Liquidity

We expect to meet our short-term liquidity requirements over the next twelve months, including payments of dividends and distributions as well as the capital expenditures needed to maintain our current real estate assets, primarily through working capital, net cash provided by operating activities and proceeds received from real estate dispositions. At December 31, 2012 we held \$33.9 million of cash and we had \$285.0 million of outstanding borrowings on the Partnership's \$850.0 million unsecured line of credit.

In addition to our existing sources of liquidity, we expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other capital improvements, through multiple sources of capital including operating cash flow, proceeds from property dispositions and accessing the public debt and equity markets.

In January 2013, the General Partner completed a public offering of 41.4 million common shares, at an issue price of \$14.25 per share, resulting in gross proceeds of \$590.0 million and, after underwriting fees and estimated offering costs, net proceeds of approximately \$571.9 million. A portion of the net proceeds from this offering were used to repay all of the outstanding borrowings under the Partnership's existing revolving credit facility, which had an outstanding balance of \$285.0 million as of December 31, 2012, and the remaining proceeds will be used to redeem all of the General Partner's outstanding Series O Shares, which are redeemable as of February 22, 2013, and for general corporate purposes.

Rental Operations

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

We are subject to a number of risks related to general economic conditions, including reduced occupancy, tenant defaults and bankruptcies and potential reduction in rental rates upon renewal or re-letting of properties, any of which would result in reduced cash flow from operations.

Unsecured Debt and Equity Securities

Our unsecured line of credit as of December 31, 2012 is described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding Balance at December 31, 2012
Unsecured Line of Credit – Partnership	\$850,000	December 2015	\$285,000

All amounts that were outstanding on the line of credit at December 31, 2012 were repaid in January 2013 with proceeds from the General Partner's common equity offering.

The Partnership's unsecured line of credit has a borrowing capacity of \$850.0 million with the interest rate on borrowings of LIBOR plus 1.25% (equal to 1.47% for borrowings as of December 31, 2012) and a maturity date of December 2015. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional \$400.0 million, for a total of up to \$1.25 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage, unsecured interest expense coverage and debt-to-asset value (with asset value being defined in the Partnership's unsecured line of credit agreement). As of December 31, 2012, we were in compliance with all covenants under this line of credit.

At December 31, 2012, we had on file with the SEC an automatic shelf registration statement on Form S-3 relating to the offer and sale, from time to time, of an indeterminate amount of debt and equity securities (including guarantees of the Partnership's debt securities by the General Partner). Equity securities are offered and sold by the General Partner and the net proceeds of such offerings are contributed to the Partnership in exchange for additional General Partner Units or Preferred Units. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of long-term debt upon maturity and for other general corporate purposes. On February 11, 2010, the General Partner entered into an at the market equity program that allowed it to issue new common shares, from time to time, with an aggregate offering price of up to \$150.0 million. The General Partner fully utilized this program during the first three months of 2012, issuing approximately 10.8 million common shares, resulting in gross proceeds of \$150.0 million. The General Partner paid approximately \$3.0 million in commissions related to the sales of these common shares and, after considering those commissions and other costs, generated net proceeds of approximately \$147.0 million from the offerings.

On May 7, 2012, the General Partner entered into a new at the market equity program that allows it to issue new common shares, from time to time, with an aggregate offering price of up to \$200.0 million. Through December 31, 2012, the General Partner has issued approximately 11.9 million common shares under this program, resulting in gross proceeds of approximately \$172.2 million. The General Partner paid approximately \$3.4 million in commissions related to the sales of these common shares and, after considering those commissions and other costs, generated net proceeds of approximately \$168.3 million from the offerings.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of December 31, 2012.

Sale of Real Estate Assets

We regularly work to identify, consider and pursue opportunities to dispose of non-strategic properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans. Our ability to dispose of such properties on favorable terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable. Although we believe that we have demonstrated our ability to generate significant liquidity through the disposition of non-strategic properties,

potential future adverse changes to general market and economic conditions could negatively impact our further ability to dispose of such properties.

Transactions with Unconsolidated Entities

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

Uses of Liquidity

Our principal uses of liquidity include the following:

- property investment;
- leasing/capital costs;
- dividends and distributions to shareholders and unitholders;
- long-term debt maturities;
- opportunistic repurchases of outstanding debt and preferred stock; and
- other contractual obligations.

Property Investment

We continue to pursue an asset repositioning strategy that involves increasing our investment concentration in industrial and medical office properties while reducing our investment concentration in suburban office properties. Pursuant to this strategy, we evaluate development and acquisition opportunities based upon market outlook, including general economic conditions, supply and long-term growth potential. Our ability to make future property investments, along with being dependent upon identifying suitable acquisition and development opportunities, is also dependent upon our continued access to our longer-term sources of liquidity, including issuances of debt or equity securities as well as generating cash flow by disposing of selected properties.

Leasing/Capital Costs

Tenant improvements and leasing commissions related to the initial leasing of newly completed or vacant space in acquired properties are referred to as first generation expenditures. Such expenditures are included within development of real estate investments and other deferred leasing costs in our Consolidated Statements of Cash Flows. Tenant improvements and leasing costs to re-let rental space that had been previously under lease to tenants are referred to as second generation expenditures. Building improvements that are not specific to any tenant but serve to improve integral components of our real estate properties are also second generation expenditures.

One of our principal uses of our liquidity is to fund the second generation leasing/capital expenditures of our real estate investments. As illustrated in the tables below, we have significantly reduced such expenditures in 2012 as a direct result of repositioning our investment concentration in office properties in accordance with our asset strategy. The following is a summary of our second generation capital expenditures by type of expenditure (in thousands):

	2012	2011	2010
Second generation tenant improvements	\$26,643	\$50,079	\$36,676
Second generation leasing costs	31,059	38,130	39,090
Building improvements	6,182	11,055	12,957
Total	\$63,884	\$99,264	\$88,723

The following is a summary of our second generation capital expenditures by reportable operating segment (in thousands):

	2012	2011	2010
Industrial	\$33,095	\$34,872	\$23,271
Office	30,092	63,933	65,203
Medical Office	641	410	183
Non-reportable Rental Operations segments	56	49	66
Total	\$63,884	\$99,264	\$88,723

Both our first and second generation expenditures vary significantly between leases on a per square foot basis, dependent upon several factors including the product type, the nature of a tenant's operations, the specific physical characteristics of each individual property as well as the market in which the property is located. Second generation expenditures related to the 79 suburban office buildings that were sold in the Blackstone Office Disposition in December 2011 totaled \$26.2 million in 2011 and \$20.2 million in 2010.

Dividends and Distributions

The General Partner is required to meet the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"), in order to maintain its REIT status. Because depreciation is a non-cash expense, cash flow will typically be greater than operating income. We paid dividends or distributions of \$0.68 per common share or Common Unit for each of the years ended December 31, 2012, 2011 and 2010. We expect to continue to distribute at least an amount equal to our taxable earnings, to meet the requirements to maintain the General Partner's REIT status, and additional amounts as determined by the General Partner's board of directors. Distributions are declared at the discretion of the General Partner's board of directors and are subject to actual cash available for distribution, our financial condition, capital requirements and such other factors as the General Partner's board of directors deems relevant.

At December 31, 2012 the General Partner had four series of preferred stock outstanding. The annual dividend rates on the General Partner's preferred shares range between 6.5% and 8.375% and are paid in arrears quarterly. In January 2013, the General Partner called for redemption all of its outstanding Series O Shares. The redemption date is February 22, 2013 and the cash redemption price is \$178.0 million. As a result of this redemption, the General Partner will reduce its future quarterly dividend commitments by \$3.7 million.

In March 2012, the General Partner redeemed all of its Series M Shares for a total payment of \$168.3 million, thus reducing its future quarterly dividend commitments by \$2.9 million.

In July 2011, the General Partner redeemed all of its 7.25% Series N Cumulative Redeemable Preferred Shares ("Series N Shares") for a total payment of \$108.6 million, thus reducing its future quarterly dividend commitments by \$2.0 million.

Debt Maturities

Debt outstanding at December 31, 2012 had a face value totaling \$4.4 billion with a weighted average interest rate of 5.86% and with maturity dates ranging between 2013 and 2028. Of this total amount, we had \$3.0 billion of unsecured debt, \$1.2 billion of secured debt and \$285.0 million outstanding on the Partnership's unsecured line of credit at December 31, 2012. Scheduled principal amortization and maturities of such debt totaled \$360.4 million for the year ended December 31, 2012.

The following is a summary of the scheduled future amortization and maturities of our indebtedness at December 31, 2012 (in thousands, except percentage data):

Year	Future Repayments			Weighted Average Interest Rate of Future Repayments
	Scheduled Amortization	Maturities	Total	
2013	\$ 17,921	\$ 529,811	\$ 547,732	6.24%
2014	16,659	314,904	331,563	6.14%
2015	14,999	664,946	679,945	4.53%
2016	12,591	532,249	544,840	6.09%
2017	10,100	556,511	566,611	5.90%
2018	7,937	300,000	307,937	6.08%
2019	6,936	518,438	525,374	7.97%
2020	5,381	250,000	255,381	6.73%
2021	3,416	9,047	12,463	5.59%
2022	3,611	600,000	603,611	4.20%
2023	3,817	—	3,817	5.60%
Thereafter	10,361	50,000	60,361	7.02%
	\$ 113,729	\$ 4,325,906	\$ 4,439,635	5.86%

We anticipate generating capital to fund our debt maturities by using undistributed cash generated from our Rental Operations and property dispositions, and by raising additional capital from future debt or equity transactions, such as our January 2013 common offering.

Repurchases of Outstanding Debt and Preferred Stock

The General Partner paid \$168.3 million in March 2012 to redeem its Series M Shares at par value.

In January 2013, the General Partner called for redemption all 711,820 of its outstanding Series O Shares. The redemption date is February 22, 2013 and the cash redemption price for the Series O Shares is \$178.0 million, or \$250.00 per share.

To the extent that it supports our overall capital strategy, we may purchase certain of our outstanding unsecured debt prior to its stated maturity or the General Partner may redeem or repurchase certain of its outstanding series of preferred stock.

Guarantee Obligations

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

We are, however, subject to a joint and several guarantee of the loan agreement of the 3630 Peachtree joint venture. A contingent liability in the amount of \$17.3 million, which represents our maximum remaining future exposure under the guarantee, is included within other liabilities in our Consolidated Balance Sheet as of December 31, 2012 based on the probability of us being required to pay this obligation to the lender.

Historical Cash Flows

Cash and cash equivalents were \$33.9 million and \$213.8 million at December 31, 2012 and 2011, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in thousands):

	Years Ended December 31,		
	2012	2011	2010
General Partner			
Net Cash Provided by Operating Activities	\$299,157	\$337,537	\$391,156
Net Cash Provided by (Used for) Investing Activities	(967,616)	750,935	(288,790)
Net Cash Provided by (Used for) Financing Activities	488,539	(893,047)	(231,304)
Partnership			
Net Cash Provided by Operating Activities	\$299,256	\$337,572	\$390,776
Net Cash Provided by (Used for) Investing Activities	(967,616)	750,935	(288,790)
Net Cash Provided by (Used for) Financing Activities	488,423	(893,100)	(231,106)

Operating Activities

Cash flows from operating activities provide the cash necessary to meet normal operational requirements of our Rental Operations and Service Operations activities. The receipt of rental income from Rental Operations continues to provide the primary source of our revenues and operating cash flows.

The decrease in cash flows from operations from 2011 to 2012, noted in the table above, was primarily due to the overall reduction in rental revenues from discontinued operations, which was driven by the disposition of a significant portion of our office properties in December 2011. This overall change in product mix correspondingly drove a \$35.4 million decrease in cash outflows for second generation capital expenditures (classified within investing activities) during 2012.

The decrease in net cash provided by operating activities from 2010 to 2011 is, in large part, due to a \$10.9 million increase in cash outflows from third-party construction contracts as well as a \$14.7 million increase in cash paid for interest. Our third-party construction activities were profitable, in the aggregate, during 2011 and the net cash outflows during the year were the result of the timing of cash receipts and payments.

Investing Activities

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

Real estate development costs totaled \$264.8 million for the year ended December 31, 2012, compared to \$162.1 million and \$119.4 million for the years ended December 31, 2011 and 2010, respectively. We have increased our development activities in 2012 for industrial and medical office properties.

During 2012, we paid cash of \$665.5 million for real estate acquisitions, compared to \$544.8 million in 2011 and \$488.5 million in 2010. In addition, we paid cash of \$64.9 million for undeveloped land in 2012, compared to \$14.1 million in 2011 and \$14.4 million in 2010. The increase in land acquisitions in 2012 is the result of land acquired for specific development projects that commenced shortly after acquisition.

Sales of land and depreciated property provided \$138.1 million in net proceeds in 2012, compared to \$1.57 billion in 2011 and \$499.5 million in 2010.

We received capital distributions (as a result of the sale of properties or refinancing) from unconsolidated subsidiaries of \$5.2 million in 2012, \$59.3 million in 2011 and \$22.1 million in 2010.

During 2012, we contributed or advanced \$28.5 million to fund development activities within unconsolidated companies, compared to \$34.6 million in 2011 and \$53.2 million in 2010.

Financing Activities

The following items highlight significant capital transactions:

Throughout 2012, the General Partner issued 22.7 million shares of common stock for net proceeds of \$315.3 million. The General Partner had no common stock issuances in 2011. In June 2010, the General Partner issued 26.5 million shares of common stock for net proceeds of \$298.1 million.

In March 2012, the General Partner redeemed all of the outstanding shares of its Series M Shares for a total payment of \$168.3 million. In July 2011, the General Partner redeemed all of the outstanding shares of its Series N Shares for a total payment of \$108.6 million.

Throughout 2011 and 2010, the General Partner completed open market repurchases of approximately 80,000 shares and 4.5 million shares, respectively, of its Series O Shares. The General Partner paid \$2.1 million in 2011 for shares that had a face value of \$2.0 million, compared to \$118.8 million in 2010 for shares that had a face value of \$112.1 million.

In September 2012, we issued \$300.0 million of senior unsecured notes that bear interest at 3.875% and mature on October 15, 2022. In June 2012, we issued \$300.0 million of senior unsecured notes that bear interest at 4.375% and mature on June 15, 2022. We had no senior unsecured note issuances in 2011. In April 2010, we issued \$250.0 million of senior unsecured notes that bear interest at an effective rate of 6.75% and mature in March 2020.

In October 2012, we repaid \$50.0 million of medium term notes, which had an effective interest rate of 5.45%, at their scheduled maturity date. In August 2012, we repaid \$150.0 million of senior unsecured notes, which had an effective interest rate of 6.01%, at their scheduled maturity date. In July 2012, one of our consolidated subsidiaries repaid \$21.0 million of variable rate unsecured debt, which bore interest at a rate of LIBOR plus 0.85%, at its scheduled maturity.

In December 2011, we repaid the remaining \$167.6 million of our 3.75% Exchangeable Notes, which had an effective interest rate of 5.62%, at their scheduled maturity date. In August and March 2011, we also repaid \$122.5 million and \$42.5 million, respectively, of unsecured notes with an effective rate of 5.69% and 6.96%, respectively, at their scheduled maturity dates. In January 2010, we repaid \$99.8 million of senior unsecured notes with an effective interest rate of 5.37% at their scheduled maturity date.

During 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$292.2 million for unsecured notes that had a face value of \$279.9 million.

Throughout the year ended December 31, 2012, we repaid five secured loans totaling \$102.1 million, which had a weighted average stated interest rate of 6.08%, at their maturity dates. This compares to payoffs of \$12.8 million in 2011, comprised of four individually insignificant secured loans, and \$195.4 million in 2010, which was secured debt that we assumed upon the July 2010 acquisition of our joint venture partner's 50% interest in Dugan.

We increased net borrowings on the Partnership's \$850.0 million line of credit by \$285.0 million for the year ended December 31, 2012, compared to a decrease of \$175.0 million in 2011 and an increase of \$175.0 million in 2010.

We paid cash dividends or distributions of \$0.68 per common share or per Common Unit in each of the years ended December 31, 2012, 2011 and 2010.

Credit Ratings

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

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

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

Financial Instruments

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

Off Balance Sheet Arrangements

Investments in Unconsolidated Companies

We have equity interests in unconsolidated partnerships and limited liability companies that primarily own and operate rental properties and hold land for development. These unconsolidated joint ventures are primarily engaged in the operations and development of industrial, office and medical office real estate properties. The equity method of accounting (see Critical Accounting Policies) is used for these investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies. As a result, the assets and liabilities of these entities are not included on our balance sheet.

Our investments in and advances to unconsolidated subsidiaries represent approximately 5% of our total assets as of December 31, 2012 and 2011, respectively. We believe that these investments provide several benefits to us, including increased market share, tenant and property diversification and an additional source of capital to fund real estate projects.

The following table presents summarized financial information for unconsolidated companies for the years ended December 31, 2012 and 2011, respectively (in thousands, except percentage data):

	Joint Ventures		
	2012	2011	
Land, buildings and tenant improvements, net	\$1,991,823	\$2,051,412	
Construction in progress	61,663	12,208	
Undeveloped land	175,143	177,742	
Other assets	289,173	309,409	
	\$2,517,802	\$2,550,771	
Indebtedness	\$1,314,502	\$1,317,554	
Other liabilities	70,519	71,241	
	1,385,021	1,388,795	
Owners' equity	1,132,781	1,161,976	
	\$2,517,802	\$2,550,771	
Rental revenue	\$291,534	\$272,937	
Gain on sale of properties	\$6,792	\$2,304	
Net income	\$3,125	\$10,709	
Total square feet	26,487	25,569	
Percent leased*	92.15	% 90.42	%

*Represents the percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced.

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

Contractual Obligations

At December 31, 2012, we were subject to certain contractual payment obligations as described in the following table:

Contractual Obligations	Payments due by Period (in thousands)						
	Total	2013	2014	2015	2016	2017	Thereafter
Long-term debt (1)	\$5,370,074	\$777,490	\$552,693	\$582,411	\$710,802	\$692,959	\$2,053,719
Line of credit (2)	303,597	6,365	6,365	290,867	—	—	—
Share of unconsolidated joint ventures' debt (3)	484,823	136,231	64,963	90,999	23,801	106,059	62,770
Ground leases	206,487	3,692	3,769	3,788	3,814	3,835	187,589
Operating leases	10,174	2,638	2,667	1,858	1,720	699	592
Development and construction backlog costs (4)	309,239	301,425	7,814	—	—	—	—
Other	1,807	514	394	397	401	101	—
Total Contractual Obligations	\$6,686,201	\$1,228,355	\$638,665	\$970,320	\$740,538	\$803,653	\$2,304,670

(1) Our long-term debt consists of both secured and unsecured debt and includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rates as of December 31, 2012.

(2) Our unsecured line of credit consists of an operating line of credit that matures December 2015. Interest expense for our unsecured line of credit was calculated using the most recent stated interest rate that was in effect.

(3) Our share of unconsolidated joint venture debt includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2012.

(4) Represents estimated remaining costs on the completion of owned development projects and third-party construction projects.

Related Party Transactions

We provide property and asset management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2012, 2011 and 2010, respectively, we earned management fees of \$11.0 million, \$10.1 million and \$7.6 million, leasing fees of \$3.4 million, \$4.4 million and \$2.7 million and construction and development fees of \$4.7 million, \$6.7 million and \$10.3 million from these companies, prior to elimination. We recorded these fees based on contractual terms that approximate market rates for these types of services, and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

Commitments and Contingencies

We have guaranteed the repayment of \$83.8 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of five of our unconsolidated subsidiaries. At December 31, 2012, the maximum guarantee exposure for these loans was approximately \$247.1 million. Included in our total guarantee exposure is a joint and several guarantee of the loan agreement of the 3630 Peachtree joint venture, which had a carrying amount of \$17.3 million on the balance sheet at December 31, 2012.

We lease certain land positions with terms extending to October 2105, with a total obligation of \$206.5 million. No payments on these ground leases, which are classified as operating leases, are material in any individual year.

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

We own certain parcels of land that are subject to special property tax assessments levied by quasi municipal entities. To the extent that such special assessments are fixed and determinable, the discounted value of the full

assessment is recorded as a liability. We have \$12.5 million of such special assessment liabilities, which are included within other liabilities on our consolidated balance sheet as of December 31, 2012.

Item 7A. Quantitative and Qualitative Disclosure About Market Risks

We are exposed to interest rate changes primarily as a result of our line of credit and long-term borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates. We do not enter into derivative or interest rate transactions for speculative purposes. We have two outstanding swaps, which fix the rates on two of our variable rate loans and are not significant to our Financial Statements at December 31, 2012.

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

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
Fixed rate secured debt	\$ 119,549	\$ 78,186	\$ 142,056					