FIRST INDUSTRIAL REALTY TRUST INC
Form 10-K
March 03, 2010

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

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2009**
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File Number 1-13102
FIRST INDUSTRIAL REALTY TRUST, INC.
(Exact name of Registrant as specified in its Charter)

Maryland *(State or other jurisdiction of incorporation or organization)*	**36-3935116** *(I.R.S. Employer Identification No.)*
311 S. Wacker Drive, Suite 3900, Chicago, Illinois *(Address of principal executive offices)*	**60606** *(Zip Code)*

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately $175.4 million based on the closing price on the New York Stock Exchange for such stock on June 30, 2009.

At February 26, 2010, 61,819,661 shares of the Registrant s Common Stock, $0.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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

FIRST INDUSTRIAL REALTY TRUST, INC.

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This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, seek, target, potential, focus, may, should or similar expressions. Our ability to predic actual effect of future plans or strategies is inherently uncertain. Factors which could have a materially adverse effect on our operations and future prospects include, but are not limited to: changes in national, international, regional and local economic conditions generally and real estate markets specifically; changes in legislation/regulation (including changes to laws governing the taxation of real estate investment trusts) and actions of regulatory authorities (including the Internal Revenue Service); our ability to qualify and maintain our status as a real estate investment trust; the availability and attractiveness of financing (including both public and private capital) to us and to our potential counterparties; the availability and attractiveness of terms of additional debt repurchases; interest rates; our credit agency ratings; our ability to comply with applicable financial covenants; competition; changes in supply and demand for industrial properties (including land, the supply and demand for which is inherently more volatile than other types of industrial property) in the Company s current and proposed market areas; difficulties in consummating acquisitions and dispositions; risks related to our investments in properties through joint ventures; environmental liabilities; slippages in development or lease-up schedules; tenant creditworthiness; higher-than-expected costs; changes in asset valuations and related impairment charges; changes in general accounting principles, policies and guidelines applicable to real estate investment trusts; international business risks and those additional factors described in Item 1A, Risk Factors and in our other filings with the Securities and Exchange Commission (the SEC). We caution you not to place undue reliance on forward looking statements, which reflect our outlook only and speak only as of the date of this report or the dates indicated in the statements. We assume no obligation to update or supplement forward-looking statements. Unless the context otherwise requires, the terms Company, we, us, and our refer to Fir Industrial Realty Trust, Inc., First Industrial, L.P. and their controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership. Effective September 1, 2009, our taxable real estate investment trust subsidiary, First Industrial Investment, Inc. (the old TRS) merged into First Industrial Investment II, LLC (FI LLC), which is wholly owned by the Operating Partnership. Immediately thereafter, certain assets and liabilities of FI LLC were contributed to a new subsidiary, FR Investment Properties, LLC (FRIP). FRIP is 1% owned by FI LLC and 99% owned by a new taxable real estate investment trust subsidiary, First Industrial Investment Properties, Inc. (the new TRS, which, collectively with the old TRS and certain wholly owned taxable real estate investment trust subsidiaries of FI LLC, will be referred to as the TRSs), which is wholly owned by FI LLC (see Note 12 to the Consolidated Financial Statements).

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PART I

THE COMPANY

Item 1. *Business*

General

First Industrial Realty Trust, Inc. is a Maryland corporation organized on August 10, 1993, and is a real estate investment trust (REIT) as defined in the Internal Revenue Code of 1986 (the Code). We are a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops, and redevelops industrial real estate. As of December 31, 2009, our in-service portfolio consisted of 369 light industrial properties, 131 R&D/flex properties, 174 bulk warehouse properties, 89 regional warehouse properties and 20 manufacturing properties containing approximately 69.2 million square feet of gross leasable area (GLA) located in 28 states in the United States and one province in Canada. Beginning January 1, 2009, our in-service portfolio includes all properties other than developed, redeveloped and acquired properties that have not yet reached stabilized occupancy (generally defined as properties that are 75% leased). Properties which are at least 75% occupied at acquisition are placed in-service. Acquired properties less than 75% occupied are placed in-service upon the earlier of reaching 90% occupancy or one year from the acquisition date. Development properties are placed in-service upon the earlier of reaching 90% occupancy or one year from the date construction is completed. Redevelopments (generally projects which require capital expenditures exceeding 25% of basis) are placed in-service upon the earlier of reaching 90% occupancy or one year from the completion of renovation construction.

Our interests in our properties and land parcels are held through partnerships, corporations, and limited liability companies controlled, directly or indirectly, by the Company, including the Operating Partnership, of which we are the sole general partner with an approximate 92.0% and 88.5% ownership interest at December 31, 2009 and December 31, 2008, respectively, and through the old TRS prior to September 1, 2009, and FI LLC, the new TRS and FRIP subsequent to September 1, 2009, all of whose operating data is consolidated with that of the Company as presented herein.

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

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

We utilize an operating approach which combines the effectiveness of decentralized, locally-based property management, acquisition, sales and development functions with the cost efficiencies of centralized acquisition, sales and development support, capital markets expertise, asset management and fiscal control systems. At February 26, 2010, we had 229 employees.

We maintain a website at www.firstindustrial.com. Information on this website shall not constitute part of this Form 10-K. Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available without charge on our website as soon as reasonably practicable after such reports are filed with or furnished to the SEC. In addition, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating/Corporate Governance Committee Charter, along with supplemental financial and operating information prepared by us, are all available without charge on our website or upon request to us. Amendments to, or waivers from, our Code of Business Conduct and Ethics that apply to our executive officers or directors will also be posted to our website. We also post or otherwise make available on our website from time to time other information that may be of interest to our investors. Please direct requests as follows:

First Industrial Realty Trust, Inc.
311 S. Wacker, Suite 3900
Chicago, IL 60606
Attention: Investor Relations

Business Objectives and Growth Plans

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

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

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

Our ability to pursue our long-term growth plans is affected by market conditions and our financial condition and operating capabilities.

Business Strategies

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

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

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

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

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

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

Financing Strategy. To finance acquisitions and developments, as market conditions permit, we utilize a portion of proceeds from property sales, proceeds from mortgage financings, borrowings under our unsecured line of credit (the Unsecured Line of Credit) and proceeds from the issuance, when and as warranted, of additional debt and equity securities. We also continually evaluate joint venture arrangements as another source of capital. As of February 26, 2010, we had approximately $7.5 million available for additional borrowings under our Unsecured Line of Credit.

Liquidity Strategy. We plan to enhance our liquidity, and reduce our indebtedness, through a combination of capital retention, mortgage and equity financings, asset sales and debt reduction:

Capital Retention We plan to retain capital by distributing the minimum amount of dividends required to maintain our REIT status. We did not pay a common stock dividend in 2009 and may not pay dividends in 2010 depending on our taxable income. If, to maintain our REIT status, we are required to pay common stock dividends with respect to 2010, we may elect to do so by distributing a combination of cash and common shares. Also, if we are not required to pay preferred stock dividends to maintain our REIT status, we may elect to suspend some or all preferred stock dividends for one or more fiscal quarters, which would aid compliance with the fixed charge coverage covenant under our Unsecured Line of Credit.

Mortgage Financing During the year ended December 31, 2009, we originated $339.8 million in mortgage financings with maturities ranging from September 2012 to January 2020 and interest rates ranging from 6.42% to 7.87% (see Note 6 to the Consolidated Financial Statements). We believe these mortgage financings comply with all covenants contained in our Unsecured Line of Credit and our senior debt securities, including coverage ratios and total indebtedness, total unsecured indebtedness and total secured indebtedness limitations. We continue to engage various lenders regarding the origination of additional mortgage financings and the terms and conditions thereof. To the extent additional mortgage financing is originated, we expect the proceeds received will be used to pay down our other debt. No assurances can be made that additional mortgage financing will be obtained.

Equity Financing During the year ended December 31, 2009, we sold 3,034,120 shares of the Company s common stock, generating $15.9 million in net proceeds, under the direct stock purchase component of the Company s Dividend Reinvestment and Direct Stock Purchase Plan (DRIP). On October 5, 2009, we sold in an underwritten public offering 13,635,700 shares of the Company s common stock at a price to the public of $5.25 per share. Total proceeds to us, net of underwriters discount and total expenses, were $67.8 million (see Note 7 to the Consolidated Financial Statements). We may opportunistically access the equity markets again, subject to contractual restrictions, and may continue to issue shares under the direct stock purchase component of the DRIP. To the extent additional equity offerings occur, we expect to use the proceeds received to reduce our indebtedness.

Asset Sales During the year ended December 31, 2009, we sold 15 industrial properties and several land parcels for gross proceeds of $100.2 million (see Note 9 to the Consolidated Financial Statements). We are in various stages of discussions with third parties for the sale of additional properties and plan to continue to selectively market other properties for sale throughout 2010. We expect to use sales proceeds to reduce our indebtedness. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

Debt Reduction During the year ended December 31, 2009, we repurchased $271.5 million of our senior unsecured notes (including $19.3 million of our 2009 Notes prior to their repayment at maturity on June 15, 2009) (see Note 6 to the Consolidated Financial Statements). On February 8, 2010, we consummated a tender offer pursuant to which we purchased $72.7 million of our 2011 Notes, $66.2 million of our 2012 Notes and $21.1 million of our 2014 Notes. In connection with the tender offer, we will recognize approximately $0.4 million as gain on early retirement of debt. We may from time to time repay additional amounts of our outstanding debt. Any repayments would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repayments may materially impact our liquidity, future tax liability and results of operations.

Although we believe we will be successful in meeting our liquidity needs and maintaining compliance with other debt covenants through a combination of capital retention, mortgage and equity financings, asset sales and debt repurchases, if we were to be unsuccessful in executing one or more of the strategies outlined above, our financial condition and operating results could be materially adversely affected.

Recent Developments

During 2009, we placed in-service developments totaling 14 industrial properties and acquired one parcel of land for a total investment of approximately $218.1 million. We also sold 15 industrial properties and several parcels of land for an aggregate gross sales price of $100.2 million. At December 31, 2009, we owned 783 in-service industrial properties containing approximately 69.2 million square feet of GLA.

During 2009, we repurchased and retired $271.5 million of our senior unsecured notes and recognized a gain on early debt retirement of $34.6 million.

During 2009, we obtained $339.8 million in mortgage financings at a weighted average interest rate of 7.47%, with maturities ranging between September 2012 and January 2020.

Every quarter beginning March 31, 2009, the coupon rate of our Series F Preferred Stock resets at 2.375% plus the greater of i) the 30 Year U.S. Treasury rate, ii) the 10 Year U.S. Treasury rate or iii) 3-Month LIBOR (see Note 7 to the Consolidated Financial Statements). In October 2008, we entered into an interest rate swap agreement (the Series F Agreement) to mitigate our exposure to floating interest rates related to the forecasted reset rate of our Series F Preferred Stock. The Series F Agreement has a notional value of $50.0 million and is effective from April 1, 2009 through October 1, 2013. The Series F Agreement fixes the 30-year U.S. Treasury rate at 5.2175%. We recorded $3.2 million in mark to market gain, offset by $0.5 million in quarterly payments, which is included in Mark-to-Market Gain on Interest Rate Protection Agreements on the Consolidated Statements of Operations for the year ended December 31, 2009.

During the year ended December 31, 2009, we sold 3,034,120 shares of the Company s common stock, generating approximately $15.9 million in net proceeds, under the direct stock purchase component of the DRIP. On October 5, 2009, we sold in an underwritten public offering 13,635,700 shares of the Company s common stock at a price to the public of $5.25 per share. Total proceeds to us, net of underwriters discount and total expenses, were $67.8 million.

On August 24, 2009, the Company received a private letter ruling from the IRS granting favorable loss treatment under Sections 331 and 336 of the Code on the tax liquidation of our old TRS. As a result, the Company completed a transaction on September 1, 2009 whereby approximately 75% of the assets formerly held by the old TRS are now held by FI LLC (which is wholly owned by the Operating Partnership). The remaining 25% of the assets are now held by FRIP (which is 99% owned by the new TRS). On November 6, 2009, legislation was enacted that allows businesses with net operating losses for 2008 or 2009 to carry back those losses for up to five years. In the fourth quarter of 2009 we received a federal tax refund from the IRS of $40.4 million associated with the tax liquidation of the old TRS.

We committed to a plan to reduce organizational and overhead costs in October 2008 and have subsequently modified that plan with the goal of further reducing these costs. On February 25 and September 25, 2009, we committed to additional modifications to the plan consisting of further organizational and overhead cost reductions. For the year ended December 31, 2009, we recorded as restructuring costs a pre-tax charge of $7.8 million to provide for employee severance and benefits ($5.2 million), costs associated with the termination of certain office leases ($1.9 million) and other costs ($0.7 million) associated with implementing the restructuring plan.

Future Property Acquisitions, Developments and Property Sales

We and our Joint Ventures have acquisition and development programs through which we seek to identify portfolio and individual industrial property acquisitions and developments.

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

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

INDUSTRY

Industrial properties are typically used for the design, assembly, packaging, storage and distribution of goods and/or the provision of services. As a result, the demand for industrial space in the United States is related to the level of economic output. Historically, occupancy rates for industrial property in the United States have been higher than office property. We believe that the higher occupancy rate in the industrial property sector is a result of the construction-on-demand nature of, and the comparatively short development time required for, industrial property. For the five years ended December 31, 2009, the national occupancy rate for industrial properties in the United States has ranged from 86.1%*to 90.7%*, with an occupancy rate of 86.1%* at December 31, 2009.

* Source: CBRE Econometric Advisors

Item 1A. *Risk Factors*

Risk Factors

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

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

The capital and credit markets in the United States and other countries have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. A majority of our existing indebtedness was sold through capital markets transactions. We anticipate that the capital markets could be a source of refinancing of our existing indebtedness in the future, including our 7.375% Notes due on March 15, 2011 in the aggregate amount of $143.5 million and $70.8 million as of December 31, 2009 and February 26, 2010, respectively (see Note 20 to the Consolidated Financial Statements), and our 4.625% Exchangeable Notes due on September 15, 2011 in the aggregate amount of $146.9 million as of December 31, 2009. This source of refinancing may not be available if capital market volatility and disruption continues, which could have a material adverse effect on our liquidity. Furthermore, we could potentially lose access to our current available liquidity under our Unsecured Line of Credit if one or more participating lenders default on their commitments. While the ultimate outcome of these market conditions cannot be predicted, they may have a material adverse effect on our liquidity and financial condition if our ability to borrow money under our Unsecured Line of Credit or to issue additional debt or equity securities to finance future acquisitions, developments and redevelopments and Joint Venture activities were to be impaired.

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

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

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

- general economic conditions;
- local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own properties;
- local conditions such as oversupply or a reduction in demand in an area;
- the attractiveness of the properties to tenants;

tenant defaults;

zoning or other regulatory restrictions;

competition from other available real estate;

our ability to provide adequate maintenance and insurance; and

increased operating costs, including insurance premiums and real estate taxes.

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

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

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

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

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

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

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

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

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

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

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

- we may not be able to obtain financing for development projects on favorable terms and complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties and generating cash flow;
- we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations;
- the properties may perform below anticipated levels, producing cash flow below budgeted amounts and limiting our ability to sell such properties to third parties or to sell such properties to our Joint Ventures.

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

We are subject to the risks that, upon expiration, leases may not be renewed, the space subject to such leases may not be relet or the terms of renewal or reletting, including the cost of required renovations, may be less favorable than expiring lease terms. If we were unable to promptly renew a significant number of expiring leases or to promptly relet the space covered by such leases, or if the rental rates upon renewal or reletting were significantly lower than the current rates, our financial condition, results of operation, cash flow and ability to pay dividends on, and the market price of, our common stock could be adversely affected. As of December 31, 2009, leases with respect to approximately 11.8 million, 9.5 million and 8.7 million square feet of GLA, representing 21%, 17% and 15% of GLA, expire in 2010, 2011 and 2012, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We intend to obtain additional mortgage debt financing in the future, if it is available to us. These mortgages may be issued on a recourse, non-recourse or cross-collateralized basis. Cross-collateralization makes all of the subject properties available to the lender in order to satisfy our debt. Holders of indebtedness that is so secured will have a claim against these properties. To the extent indebtedness is cross-collateralized, lenders may seek to foreclose upon properties that are not the primary collateral for their loan, which may, in turn, result in acceleration of other indebtedness secured by properties. Foreclosure of properties would result in a loss of income and asset value to us, making it difficult for us to meet both debt payment obligations and the distribution requirements of the REIT provisions of the Code. At December 31, 2009, none of our existing indebtedness was cross-collateralized with the exception of three mortgage loans payable, totaling $20.4 million, that were originated in September 2009 (see Note 6 to the Consolidated Financial Statements).

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

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

$35.0 million aggregate principal amount of 7.750% Notes due 2032 (the 2032 Notes)

$190.0 million aggregate principal amount of 7.600% Notes due 2028 (the 2028 Notes)

Approximately $13.6 million aggregate principal amount of 7.150% Notes due 2027 (the 2027 Notes)

Approximately $117.8 million aggregate principal amount of 5.950% Notes due 2017 (the 2017 II Notes)

Approximately $87.3 million aggregate principal amount of 7.500% Notes due 2017 (the 2017 Notes)

Approximately $160.2 million aggregate principal amount of 5.750% Notes due 2016 (the 2016 Notes)

Approximately $91.9 million aggregate principal amount of 6.420% Notes due 2014 (the 2014 Notes); (see Note 20 to the Consolidated Financial Statements)

Approximately $77.8 million aggregate principal amount of 6.875% Notes due 2012 (the 2012 Notes); (see Note 20 to the Consolidated Financial Statements)

$146.9 million aggregate principal amount of 4.625% Notes due 2011 (the 2011 Exchangeable Notes)

Approximately $70.8 million aggregate principal amount of 7.375% Notes due 2011 (the 2011 Notes); (see Note 20 to the Consolidated Financial Statements)

$353.5 million in mortgage loans payable, in the aggregate, due between December 2010 and January 2020 on certain of our mortgage loans payable.

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

The Unsecured Line of Credit provides for the repayment of principal in a lump-sum or balloon payment at maturity in 2012. As of December 31, 2009, $455.2 million was outstanding under the Unsecured Line of Credit at a weighted average interest rate of 1.256%.

Our ability to make required payments of principal on outstanding indebtedness, whether at maturity or otherwise, may depend on our ability either to refinance the applicable indebtedness or to sell properties. We have no commitments to refinance the 2011 Notes, the 2011 Exchangeable Notes, the 2012 Notes, the 2014 Notes, the 2016 Notes, the 2017 Notes, the 2017 II Notes, the 2027 Notes, the 2028 Notes, the 2032 Notes, the Unsecured Line of Credit or the mortgage loans. Our existing mortgage loan obligations are secured by our properties and therefore such obligations will permit the lender to foreclose on those properties in the event of a default.

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

As of December 31, 2009, our ratio of debt to our total market capitalization was 76.1%. We compute that percentage by calculating our total consolidated debt as a percentage of the aggregate market value of all outstanding shares of our common stock, assuming the exchange of all limited partnership units of the Operating Partnership for common stock, plus the aggregate stated value of all outstanding shares of preferred stock and total consolidated debt. Our organizational documents do not contain any limitation on the amount or percentage of indebtedness we may incur. Accordingly, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our ability to make expected distributions to stockholders and in an increased risk of default on our obligations.

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

Our Unsecured Line of Credit bears interest at a floating rate. As of December 31, 2009, our Unsecured Line of Credit had an outstanding balance of $455.2 million at a weighted average interest rate of 1.256%. Our Unsecured Line of Credit presently bears interest at the prime rate plus 0.15% or at the LIBOR plus 1.0%, at our election. Based on the outstanding balance on our Unsecured Line of Credit as of December 31, 2009, a 10% increase in interest rates would increase interest expense by $0.5 million on an annual basis. Increases in the interest rate payable on balances outstanding under our Unsecured Line of Credit would decrease our cash available for distribution to stockholders.

The Company s mortgages may impact the Company s ability to sell encumbered properties on advantageous terms or at all.

As part of our plan to enhance liquidity and pay down our debt, we have originated numerous mortgage financings and we are in active discussions with various lenders regarding the origination of additional mortgage financings. Certain of our mortgages contain, and it is anticipated that some future mortgages will contain, substantial prepayment premiums which we would have to pay upon the sale of a property, thereby reducing the net proceeds to us from the sale of any such property. As a result, our willingness to sell certain properties and the price at which we may desire to sell a property may be impacted by the terms of any mortgage financing encumbering a property. If we are unable to sell properties on favorable terms or redeploy the proceeds of property sales in accordance with our business strategy, then our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock could be adversely affected.

Adverse market and economic conditions could cause us to recognize additional impairment charges.

We regularly review our real estate assets for impairment indicators, such as a decline in a property s occupancy rate. If we determine that indicators of impairment are present, we review the properties affected by these indicators to determine whether an impairment charge is required. We use considerable judgment in making determinations about impairments, from analyzing whether there are indicators of impairment to the assumptions used in calculating the fair value of the investment. Accordingly, our subjective estimates and evaluations may not be accurate, and such estimates and evaluations are subject to change or revision.

Ongoing adverse market and economic conditions and market volatility will likely continue to make it difficult to value the real estate assets owned by us as well as the value of our interests in unconsolidated joint ventures. There may be significant uncertainty in the valuation, or in the stability of the cash flows, discount rates and other factors related to such assets due to the adverse market and economic conditions that could result in a substantial decrease in their value. We may be required to recognize additional asset impairment charges in the future, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

As of December 31, 2009, six of our Joint Ventures owned approximately 22.6 million square feet of properties. As of December 31, 2009, our net investment in Joint Ventures was $5.8 million in the aggregate, and for the year ended December 31, 2009, our Equity in Net Loss of Joint Ventures was $(6.5) million. Our organizational documents do not limit the amount of available funds that we may invest in Joint Ventures and we intend to continue to develop and acquire properties through Joint Ventures with other persons or entities when warranted by the circumstances. Joint venture investments, in general, involve certain risks, including:

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

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

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

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

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

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

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

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

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

We are subject to risks associated with our international operations.

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

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

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

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

obstacles to the repatriation of earnings and funds;

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

restrictions on the transfer of funds; and

national, regional and local political uncertainty.

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

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

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

None.

Item 2. ***Properties***

General

At December 31, 2009, we owned 783 in-service industrial properties containing an aggregate of approximately 69.2 million square feet of GLA in 28 states and one province in Canada, with a diverse base of approximately 2,000 tenants engaged in a wide variety of businesses, including manufacturing, retail, wholesale trade, distribution and professional services. The average annual rental per square foot on a portfolio basis, calculated at December 31, 2009, was $4.51. The properties are generally located in business parks that have convenient access to interstate highways and/or rail and air transportation. The weighted average age of the properties as of December 31, 2009 was approximately 20 years. We maintain insurance on our properties that we believe is adequate.

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

The following describes, generally, the different industrial categories:

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

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

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

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Each of the properties is wholly owned by us or our consolidated subsidiaries. The following tables summarize certain information as of December 31, 2009, with respect to our in-service properties.

Property Summary

	Light Industrial		R&D/Flex		Bulk Warehouse		Regional Warehouse		Manufacturing	
tropolitan Area	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA	Num o Prope
anta, GA	666,544	11	206,826	5	3,742,667	14	386,207	5	847,950	
timore, MD	848,536	14	198,230	6	683,135	4			171,000	
ntral PA	1,134,145	9			3,151,350	6	117,599	3		
cago, IL	1,009,429	16	248,090	4	2,729,716	15	172,851	4	421,000	
cinnati, OH	893,839	10			1,103,830	4	130,870	2		
veland, OH	64,000	1			1,317,799	7				
umbus, OH	217,612	2			2,666,547	8	98,800	1		
las, TX	2,301,003	41	511,075	19	2,470,542	18	677,433	10	128,478	
nver, CO	1,276,308	23	1,053,097	24	400,498	3	343,516	5		
roit, MI	2,448,835	86	487,418	16	630,780	6	759,851	18	116,250	
uston, TX	289,407	6	132,997	6	2,041,527	12	446,318	6		
ianapolis, IN	860,781	17	38,200	3	2,590,469	10	222,710	5	71,600	
and Empire, CA	66,934	1			804,355	3				
Angeles, CA	544,033	13	184,064	2	749,008	5	281,921	4		
ami, FL	88,820	1			142,804	1	281,626	6		
waukee, WI	431,508	9	93,705	2	1,726,929	7	90,089	1		
nneapolis/St. l, MN	1,281,625	14	172,862	2	2,095,407	11	323,805	4	355,056	
New Jersey	659,849	11	289,967	6	329,593	2				
hville, TN	205,205	3			1,715,773	6			109,058	
ladelphia, PA	166,082	5	36,802	2	799,287	3	71,912	2	178,000	
oenix, AZ	38,560	1			710,403	5	354,327	5		
New Jersey	627,680	5			281,100	2	158,867	2		
t Lake City, UT	706,201	35	146,937	6	279,179	1				
Diego, CA	213,538	8					108,701	3		
ttle, WA					100,611	1	139,435	2		
Louis, MO	823,655	11			1,728,295	7				
npa, FL	234,679	7	689,782	27	209,500	1				
onto, ON	57,540	1			559,773	2				
er(a)	696,547	8	40,000	1	1,951,456	10	88,000	1	425,017	
al	18,852,895	369	4,530,052	131	37,712,333	174	5,254,838	89	2,823,409	

(a)

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

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In-Service Property Summary Totals

			Totals		
Metropolitan Area	GLA	Number of Properties	Average Occupancy at 12/31/09	GLA as a % of Total Portfolio	Encumbrances at 12/31/09 ($ in 000s)(b)
Atlanta, GA	5,850,194	39	73%	8.5%	$ 31,541
Baltimore, MD	1,900,901	25	81%	2.8%	7,950
Central PA	4,403,094	18	79%	6.4%	18,309
Chicago, IL	4,581,086	41	81%	6.6%	27,453
Cincinnati, OH	2,128,539	16	82%	3.1%	1,691
Cleveland, OH	1,381,799	8	95%	2.0%	
Columbus, OH	2,982,959	11	78%	4.3%	
Dallas, TX	6,088,531	89	77%	8.8%	29,982
Denver, CO	3,073,419	55	86%	4.4%	26,236
Detroit, MI	4,443,134	127	88%	6.4%	
Houston, TX	2,910,249	30	96%	4.2%	21,035
Indianapolis, IN	3,783,760	37	89%	5.5%	8,531
Inland Empire, CA	871,289	4	33%	1.3%	
Los Angeles, CA	1,759,026	24	89%	2.5%	32,540
Miami, FL	513,250	8	42%	0.7%	
Milwaukee, WI	2,342,231	19	90%	3.4%	35,142
Minneapolis/St. Paul, MN	4,228,755	35	80%	6.1%	49,158
N. New Jersey	1,279,409	19	90%	1.9%	16,188
Nashville, TN	2,030,036	10	87%	2.9%	8,558
Philadelphia, PA	1,252,083	14	95%	1.8%	5,242
Phoenix, AZ	1,103,290	11	69%	1.6%	4,199
S. New Jersey	1,067,647	9	73%	1.5%	8,667
Salt Lake City, UT	1,132,317	42	83%	1.6%	10,567
San Diego, CA	322,239	11	91%	0.5%	2,237
Seattle, WA	240,046	3	100%	0.4%	6,499
St. Louis, MO	2,551,950	18	87%	3.7%	29,393
Tampa, FL	1,133,961	35	75%	1.6%	9,859
Toronto, ON	617,313	3	77%	0.9%	
Other(a)	3,201,020	22	82%	4.6%	11,080
Total or Average	69,173,527	783	82%	100.0%	$ 402,057

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

(b) Certain properties are pledged as collateral under our secured financings at December 31, 2009 (see Note 6 to the Consolidated Financial Satements). For purposes of this table, the total principal balance of a secured financing that is collateralized by a pool of properties is allocated among the properties in the pool based on each property s investment balance. In addition to the amounts included in the table, we also have a $0.9 million encumbrance which is secured by a letter of credit.

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Property Acquisition & Development Activity

During 2009, we acquired one land parcel for an aggregate purchase price of approximately $0.2 million. During 2009, we placed in-service 14 developments totaling approximately 4.0 million square feet of GLA at a total cost of approximately $217.9 million, or approximately $54.48 per square foot. The developments placed in-service have the following characteristics:

Metropolitan Area	GLA	Property Type	Occupancy at 12/31/09
Baltimore, MD	300,000	Bulk Warehouse	21.0%
Central PA	300,000	Bulk Warehouse	0.0%
Central PA	1,279,530	Bulk Warehouse	63.4%
Dallas, TX	435,179	Bulk Warehouse	35.4%
Denver, CO	33,413	Light Industrial	66.7%
Denver, CO	39,434	Light Industrial	81.9%
Denver, CO	33,419	Light Industrial	77.9%
Denver, CO	37,043	R&D/Flex	100.0%
Indianapolis, IN	71,281	Light Industrial	50.0%
Los Angeles, CA	141,100	Bulk Warehouse	0.0%
Miami, FL	88,820	Light Industrial	18.9%
Milwaukee, WI	388,800	Bulk Warehouse	100.0%
Minneapolis/St. Paul, MN	133,166	Bulk Warehouse	78.2%
Nashville, TN	700,000	Bulk Warehouse	100%
Total	3,981,185		

Property Sales

During 2009, we sold 15 industrial properties totaling approximately 1.9 million square feet of GLA and several land parcels. Total gross sales proceeds approximated $100.2 million. The 15 industrial properties sold have the following characteristics:

Metropolitan Area	Number of Properties	GLA	Property Type
Baltimore, MD	1	71,572	Light Industrial
Columbus, OH	1	307,200	Bulk Warehouse
Dallas, TX	1	20,045	Light Industrial
Denver, CO	1	126,384	Manufacturing
Indianapolis, IN	3	628,400	Light Industrial
Los Angeles, CA	1	100,000	Light Industrial
Milwaukee, WI	1	39,468	Regional Warehouse

N. New Jersey	1	49,707	Light Industrial
Philadelphia, PA	1	22,095	Light Industrial
Phoenix, AZ	1	82,288	Regional Warehouse
Salt Lake City, UT	1	81,000	Light Industrial
S. New Jersey	1	52,800	Light Industrial
Toronto, ON	1	342,830	Bulk Warehouse
Total	15	1,923,789	

Property Acquisitions and Sales Subsequent to Year End

From January 1, 2010 to February 26, 2010, we sold two industrial properties comprising approximately 0.2 million square feet of GLA and several land parcels. Gross proceeds from the sale of the two industrial properties and several land parcels were approximately $27.4 million. There were no industrial properties acquired during this period.

Tenant and Lease Information

We have a diverse base of approximately 2,000 tenants engaged in a wide variety of businesses including manufacturing, retail, wholesale trade, distribution and professional services. Most leases have an initial term of between three and six years and provide for periodic rent increases that are either fixed or based on changes in the Consumer Price Index. Industrial tenants typically have net or semi-net leases and pay as additional rent their percentage of the property s operating costs, including the costs of common area maintenance, property taxes and insurance. As of December 31, 2009, approximately 82% of the GLA of our in-service properties was leased, and no single tenant or group of related tenants accounted for more than 2.6% of our rent revenues, nor did any single tenant or group of related tenants occupy more than 2.0% of the total GLA of our in-service properties as of December 31, 2009.

Lease Expirations(1)

The following table shows scheduled lease expirations for all leases for our in-service properties as of December 31, 2009.

Year of Expiration	Number of Leases Expiring	GLA Expiring(2)	Percentage of GLA Expiring(2)	Annual Base Rent Under Expiring Leases(3) (In thousands)	Percentage of Total Annual Base Rent Expiring(3)
2010	600	11,839,452	21%	$ 53,217	21%
2011	422	9,526,823	17%	46,878	18%
2012	366	8,729,363	15%	40,881	16%
2013	237	6,122,501	11%	30,961	12%
2014	166	6,739,334	12%	26,949	11%
2015	99	3,420,540	6%	14,336	6%
2016	38	2,818,936	5%	10,827	4%
2017	20	1,009,228	2%	5,357	2%
2018	23	1,218,795	2%	5,721	2%
2019	17	1,026,464	2%	5,801	2%
Thereafter	22	4,132,774	7%	14,544	6%
Total	2,010	56,584,210	100%	$ 255,472	100%

(1) Includes leases that expire on or after December 31, 2009 and assumes tenants do not exercise existing renewal, termination or purchase options.

(2) Does not include existing vacancies of 12,589,317 aggregate square feet.

(3) Annualized base rent is calculated as monthly base rent (cash basis) per the terms of the lease, as of December 31, 2009, multiplied by 12. If free rent is granted, then the first positive rent value is used. Leases denominated in foreign currencies are translated using the currency exchange rate at December 31, 2009.

Item 3. ***Legal Proceedings***

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

Item 4. ***Reserved***

None.

PART II

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

Market Information

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

Quarter Ended	High	Low	Distribution Declared
December 31, 2009	$ 5.95	$ 4.06	$ 0.0000
September 30, 2009	$ 6.79	$ 3.68	$ 0.0000
June 30, 2009	$ 6.30	$ 2.40	$ 0.0000
March 31, 2009	$ 7.42	$ 1.91	$ 0.0000
December 31, 2008	$ 28.39	$ 5.10	$ 0.2500
September 30, 2008	$ 32.13	$ 21.94	$ 0.7200
June 30, 2008	$ 32.68	$ 27.47	$ 0.7200
March 31, 2008	$ 36.54	$ 28.83	$ 0.7200

We had 667 common stockholders of record registered with our transfer agent as of February 26, 2010.

For tax purposes, 100% of our 2009 preferred stock dividends qualified as capital gain income.

In order to comply with the REIT requirements of the Code, we are generally required to make common share distributions and preferred share dividends (other than capital gain distributions) to our shareholders in amounts that together at least equal i) the sum of a) 90% of our REIT taxable income computed without regard to the dividends paid deduction and net capital gains and b) 90% of net income (after tax), if any, from foreclosure property, minus ii) certain excess non-cash income. Under a recently issued revenue procedure, the IRS will allow us to treat a stock distribution to our shareholders in 2009, under a stock-or-cash election that meets specified conditions, including a minimum 10% cash distribution component, as a distribution qualifying for the dividends paid deduction.

Our common share distribution policy is determined by our board of directors and is dependent on multiple factors, including cash flow and capital expenditure requirements, as well as ensuring that we meet the minimum distribution requirements set forth in the Code. We met the minimum distribution requirements with the preferred distributions made with respect to 2009. For 2010, we intend to meet our minimum distribution requirements. We plan to retain capital by distributing the minimum amount of dividends required to maintain our REIT status. We did not pay a common stock dividend in 2009 and may not pay dividends in 2010 depending on our taxable income. If, to maintain our REIT status, we are required to pay common stock dividends with respect to 2010, we may elect to do so by distributing a combination of cash and common shares. Also, if we are not required to pay preferred stock dividends to maintain our REIT status, we may elect to suspend some or all preferred stock dividends for one or more fiscal quarters, which would aid compliance with the fixed charge coverage covenant under our Unsecured Line of Credit.

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During 2009, the Operating Partnership did not issue any Units.

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

Equity Compensation Plans

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

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans**
Equity Compensation Plans Approved by Security Holders			1,221,475
Equity Compensation Plans Not Approved by Security Holders(1)	139,700	$ 31.89	186,640
Total	139,700	$ 31.89	1,408,115

(1) See Note 16 of the Notes to Consolidated Financial Statements contained herein for a description of the plan.

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Performance Graph*

The following graph provides a comparison of the cumulative total stockholder return among the Company, the NAREIT Equity REIT Total Return Index (the NAREIT Index) and the Standard & Poor s 500 Index (S&P 500). The comparison is for the periods from December 31, 2004 to December 31, 2009 and assumes the reinvestment of any dividends. The closing price for our Common Stock quoted on the NYSE at the close of business on December 31, 2004 was $40.73 per share. The NAREIT Index includes REITs with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. Upon written request, we will provide stockholders with a list of the REITs included in the NAREIT Index. The historical information set forth below is not necessarily indicative of future performance. The following graph was prepared at our request by Research Data Group, Inc., San Francisco, California.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among First Industrial Realty Trust, Inc., The S&P 500 Index
And The FTSE NAREIT Equity REITs Index

*$100 invested on 12/31/04 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/04	12/05	12/06	12/07	12/08	12/09
FIRST INDUSTRIAL REALTY TRUST, INC.	$ 100.00	$ 101.45	$ 131.97	$ 104.62	$ 25.42	$ 17.61
S&P 500	100.00	104.91	121.48	128.16	80.74	102.11
FTSE NAREIT Equity REITs	100.00	112.16	151.49	127.72	79.53	101.79

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

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Item 6. *Selected Financial Data*

The following sets forth selected financial and operating data for the Company on a historical consolidated basis. The following data should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. The historical statements of operations for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 include the results of operations of the Company as derived from our audited financial statements, adjusted for discontinued operations and the implementation of new guidance relating to business combinations, convertible debt, noncontrolling interests and participating securities. The results of operations of properties sold are presented in discontinued operations if they met both of the following criteria: (a) the operations and cash flows of the property have been (or will be) eliminated from the ongoing operations of the Company as a result of the disposition and (b) we will not have any significant involvement in the operations of the property after the disposal transaction. The historical balance sheet data and other data as of December 31, 2009, 2008, 2007, 2006 and 2005 include the balances of the Company as derived from our audited financial statements.

	Year Ended 12/31/09	(As Adjusted) Year Ended 12/31/08	(As Adjusted) Year Ended 12/31/07	(As Adjusted) Year Ended 12/31/06	(As Adjusted) Year Ended 12/31/05
	(In thousands, except per share and property data)				
Statement of Operations Data:					
Total Revenues	$ 411,958	$ 514,321	$ 369,874	$ 293,769	$ 237,406
Interest Income	3,084	3,690	1,926	1,614	1,486
Mark-to-Market Gain (Loss) on Settlement of Interest Rate Protection Agreements	3,667	(3,073)		(3,112)	811
Property Expenses	(123,819)	(121,737)	(107,653)	(96,691)	(77,324)
General and Administrative Expense	(37,835)	(84,896)	(92,101)	(77,497)	(55,812)
Restructuring Costs	(7,806)	(27,349)			
Impairment of Real Estate	(6,934)				
Interest Expense	(115,421)	(113,139)	(120,894)	(121,536)	(108,339)
Amortization of Deferred Financing Costs	(3,030)	(2,840)	(3,171)	(2,656)	(2,125)
Depreciation and Other Amortization	(147,216)	(156,070)	(133,354)	(112,426)	(79,019)
Construction Expenses	(52,720)	(139,539)	(34,553)	(10,263)	(15,574)
Gain (Loss) from Early Retirement from Debt	34,562	2,749	(393)		82
Equity in (Loss) Income of Joint Ventures	(6,470)	(33,178)	30,045	30,673	3,699
Income Tax Benefit	25,155	12,958	11,200	10,092	14,334
Loss from Continuing Operations	(22,825)	(148,103)	(79,074)	(88,033)	(80,375)
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $24,206, $172,167, $244,962, $213,442 and $132,139 for	28,596	187,351	283,950	260,605	184,344

the Years Ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively)										
Provision for Income Taxes Allocable to Discontinued Operations (Including $1,462, $3,732, $36,032, $47,511 and $20,529 allocable to Gain on Sale of Real Estate for the Years Ended December 31, 2009, 2008, 2007, 2006 and 2005, respectively)		(1,816)		(4,887)		(38,673)		(51,312)		(23,895)
Gain on Sale of Real Estate		374		12,008		9,425		6,071		29,550
Provision for Income Taxes Allocable to Gain on Sale of Real Estate		(143)		(3,782)		(3,082)		(2,119)		(10,871)
Net Income		4,186		42,587		172,546		125,212		98,753
Less: Net Loss (Income) Attributable to the Noncontrolling Interest		1,547		(2,990)		(18,841)		(13,465)		(11,649)
Net Income Attributable to First Industrial Realty Trust, Inc.		5,733		39,597		153,705		111,747		87,104
Preferred Dividends		(19,516)		(19,428)		(21,320)		(21,424)		(10,688)
Redemption of Preferred Stock						(2,017)		(672)		
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders and Participating Securities	$	(13,783)	$	20,169	$	130,368	$	89,651	$	76,416
Basic and Diluted Earnings Per Weighted Average Common Share Outstanding:										
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.78)	$	(3.23)	$	(1.90)	$	(2.10)	$	(1.48)
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.28)	$	0.41	$	2.90	$	1.99	$	1.75
Distributions Per Share	$	0.00	$	2.410	$	2.850	$	2.810	$	2.785
Basic and Diluted Weighted Average Number of Common Shares Outstanding		48,695		43,193		44,086		44,012		42,431

	Year Ended 12/31/09	(As Adjusted) Year Ended 12/31/08	(As Adjusted) Year Ended 12/31/07	(As Adjusted) Year Ended 12/31/06	(As Adjusted) Year Ended 12/31/05
	(In thousands, except per share and property data)				
Net Income	$ 4,186	$ 42,587	$ 172,546	$ 125,212	$ 98,753
Comprehensive Income:					
Reclassification of Settlement of Interest Rate Protection Agreements to Net Income					(159)
Mark-to-Market of Interest Rate Protection Agreements, Net of Tax	(383)	(8,676)	3,819	(2,800)	(1,414)
Amortization of Interest Rate Protection Agreements	796	(792)	(916)	(912)	(1,085)
Write-off of Unamortized Settlement Amounts of Interest Rate Protection Agreements	523	831			
Settlement of Interest Rate Protection Agreements			(4,261)	(1,729)	
Foreign Currency Translation Adjustment, Net of Tax	1,503	(2,792)	2,134		
Comprehensive Income	6,625	31,158	173,322	119,771	96,095
Comprehensive Loss (Income) Attributable to Noncontrolling Interest	1,299	(1,599)	(18,983)	(12,767)	(10,812)
Comprehensive Income Attributable to First Industrial Realty Trust, Inc.	$ 7,924	$ 29,559	$ 154,339	$ 107,004	$ 85,283
Balance Sheet Data (End of Period):					
Real Estate, Before Accumulated Depreciation	$ 3,319,764	$ 3,385,597	$ 3,326,268	$ 3,219,728	$ 3,260,761
Real Estate, After Accumulated Depreciation	2,724,869	2,862,489	2,816,287	2,754,310	2,850,195

Real Estate Held for Sale, Net	37,305	21,117	37,875	115,961	16,840
Total Assets	3,204,586	3,223,501	3,257,888	3,224,215	3,226,243
Mortgage Loans Payable, Net, Unsecured Lines of Credit and Senior Unsecured Debt, Net	1,998,332	2,032,635	1,940,747	1,827,155	1,813,702
Total Liabilities	2,130,339	2,232,785	2,177,832	2,041,370	2,020,361
Total Equity	1,074,247	990,716	1,080,056	1,182,845	1,205,882
Other Data:					
Cash Flow From Operating Activities	$ 142,179	$ 71,185	$ 92,989	$ 59,551	$ 49,350
Cash Flow From Investing Activities	4,777	6,274	126,909	129,147	(371,654)
Cash Flow From Financing Activities	32,724	(79,754)	(230,276)	(180,800)	325,617
Total In-Service Properties	783	728	804	858	884
Total In-Service GLA, in Square Feet	69,173,527	60,580,250	64,028,533	68,610,505	70,193,161
In-Service Occupancy Percentage	82%	92%*	95%*	94%*	92%*

* Percentage is calculated under the in-service definition in place as of the respective year end.

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

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

In addition, the following discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, seek, target, potential, focus, may, should or similar expressi predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a materially adverse effect on our operations and future prospects include, but are not limited to: changes in national, international, regional and local economic conditions generally and real estate markets specifically; changes in legislation/regulation (including changes to laws governing the taxation of REITs) and actions of regulatory authorities (including the IRS); our ability to qualify and maintain our status as a REIT; the availability and attractiveness of financing (including both public and private capital) to us and to our potential counterparties; the availability and attractiveness of terms of additional debt repurchases; interest rates; our credit agency ratings; our ability to comply with applicable financial covenants; competition; changes in supply and demand for industrial properties (including land, the supply and demand for which is inherently more volatile than other types of industrial property) in the Company s current and proposed market areas; difficulties in consummating acquisitions and dispositions; risks related to our investments in properties through joint ventures; environmental liabilities; slippages in development or lease-up schedules; tenant creditworthiness; higher-than-expected costs; changes in asset valuations and related impairment charges; changes in general accounting principles, policies and guidelines applicable to REITs; international business risks and those additional factors described in Item 1A, Risk Factors and in our other filings with the Securities and Exchange Commission (the SEC). We caution you not to place undue reliance on forward looking statements, which reflect our outlook only and speak only as of the date of this report or the dates indicated in the statements. We assume no obligation to update or supplement forward-looking statements.

The Company was organized in the state of Maryland on August 10, 1993. We are a REIT, as defined in the Code. We began operations on July 1, 1994. Our interests in our properties and land parcels are held through partnerships, corporations, and limited liability companies controlled, directly or indirectly, by us, including First Industrial, L.P. (the Operating Partnership), of which we are the sole general partner, and through the old TRS prior to September 1, 2009, and FI LLC, the new TRS and FRIP subsequent to September 1, 2009. We also conduct operations through other partnerships, corporations, and limited liability companies, the operating data of which, together with that of the Operating Partnership, FI LLC, FRIP and the TRSs, are consolidated with that of the Company, as presented herein.

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

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

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

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

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

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

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

Current Business Risks and Uncertainties

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

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

We believe that we were in compliance with our financial covenants as of December 31, 2009, and we anticipate that we will be able to operate in compliance with our financial covenants throughout 2010 based upon our earnings projections. Our belief that we will continue to meet our financial covenants through 2010 is based on internal projections of EBITDA, as defined in our Unsecured Line of Credit and our unsecured notes, which include a number of assumptions, including, among others, assumptions regarding occupancy rates, tenant retention and rental rates as well as internal projections of interest expense and preferred dividends. However, our ability to meet our financial covenants may be reduced if economic and credit market conditions limit our property sales and reduce our net operating income below our projections. We plan to enhance our liquidity, and reduce our indebtedness, through a combination of capital retention, mortgage and equity financings, asset sales and debt reduction.

Capital Retention We plan to retain capital by distributing the minimum amount of dividends required to maintain our REIT status. We did not pay a common stock dividend in 2009 and may not pay dividends in 2010 depending on our taxable income. If, to maintain our REIT status, we are required to pay common stock dividends with respect to 2010, we may elect to do so by distributing a combination of cash and common shares. Also, if we are not required to pay preferred stock dividends to maintain our REIT status, we may elect to suspend some or all preferred stock dividends for one or more fiscal quarters, which would aid compliance with the fixed charge coverage covenant under our Unsecured Line of Credit.

Mortgage Financing During the year ended December 31, 2009, we originated $339.8 million in mortgage financings with maturities ranging from September 2012 to January 2020 and interest rates ranging from 6.42% to 7.87% (see Note 6 to the Consolidated Financial Statements). We believe these mortgage financings comply with all covenants contained in our Unsecured Line of Credit and our senior debt securities, including coverage ratios and total indebtedness, total unsecured indebtedness and total secured indebtedness limitations. We continue to engage various lenders regarding the origination of additional mortgage financings and the terms and conditions thereof. To the extent additional mortgage financing is originated, we expect the proceeds received will be used to pay down our other debt. No assurances can be made that additional mortgage financing will be obtained.

Equity Financing During the year ended December 31, 2009, we sold 3,034,120 shares of the Company s common stock, generating approximately $15.9 million in net proceeds, under the direct stock purchase component of the DRIP. On October 5, 2009, we sold in an underwritten public offering 13,635,700 shares of the Company s common stock at a price to the public of $5.25 per share. Total proceeds to us, net of underwriters discount and total expenses, were $67.8 million (see Note 7 to the Consolidated Financial Statements). We may opportunistically access the equity markets again, subject to contractual restrictions, and may continue to issue shares under the direct stock purchase component of the DRIP. To the extent additional equity offerings occur, we expect to use the proceeds received to reduce our indebtedness.

Asset Sales During the year ended December 31, 2009, we sold 15 industrial properties and several land parcels for gross proceeds of $100.2 million (see Note 9 to the Consolidated Financial Statements). We are in various stages of discussions with third parties for the sale of additional properties and plan to continue to selectively market other properties for sale throughout 2010. We expect to use sales proceeds to pay down additional debt. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

Debt Reduction During the year ended December 31, 2009, we repurchased $271.5 million of our senior unsecured notes (including $19.3 million of our 2009 Notes prior to their repayment at maturity on June 15, 2009) (see Note 6 to the Consolidated Financial Statements). On February 8, 2010, we consummated a tender offer pursuant to which we purchased $72.7 million of our 2011 Notes, $66.2 million of our 2012 Notes and $21.1 million of our 2014. In connection with the tender offer, we will recognize approximately $0.4 million as gain on early retirement of debt. We may from time to time repay additional amounts of our outstanding debt. Any repayments would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repayments may materially impact our liquidity, future tax liability and results of operations.

Although we believe we will be successful in meeting our liquidity needs and maintaining compliance with our debt covenants through a combination of capital retention, mortgage and equity financings, asset sales and debt repurchases, if we were to be unsuccessful in executing one or more of the strategies outlined above, our financial condition and operating results would be materially adversely affected.

CRITICAL ACCOUNTING POLICIES

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

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

Properties are classified as held for sale when all criteria within the Financial Accounting Standards Board s (the FASB) guidance relating to the disposal of long lived assets are met for such properties. When properties are classified as held for sale, we cease depreciating the properties and estimate the values of such properties and measure them at the lower of depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, we decide not to sell a property previously classified as held for sale, we will reclassify such property as held and used. We estimate the value of such property and measure it at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell. Fair value is determined by deducting from the estimated sales price of the property the estimated costs to close the sale.

We review our properties on a periodic basis for possible impairment and provide a provision if impairments are determined. We utilize the guidelines established under the FASB s guidance for accounting for the impairment of long lived assets to determine if impairment conditions exist. We review the expected undiscounted cash flows of each property to determine if there are any indications of impairment. If the expected undiscounted cash flows of a particular property are less than the net book basis of the property, we will recognize an impairment charge equal to the amount of carrying value of the property that exceeds the fair value of the property. Fair value is determined by discounting the future expected cash flows of the property. The preparation of the undiscounted cash flows and the calculation of fair value involve subjective assumptions such as estimated occupancy, rental rates, ultimate residual value and hold period. The discount rate used to present value the cash flows for determining fair value is also subjective.

We analyze our investments in Joint Ventures to determine whether the joint venture should be accounted for under the equity method of accounting or consolidated into our financial statements based on standards set forth under the FASB s guidance relating to the consolidation of variable interest entities. Based on the guidance set forth in these pronouncements, we do not consolidate any of our joint venture investments because either the joint venture has been determined to be a variable interest entity but we are not the primary beneficiary or the joint venture has been determined not to be a variable interest entity and we lack control of the joint venture. Our assessment of whether we are the primary beneficiary of a variable interest entity involves the consideration of various factors including the form of our ownership interest, our representation on the entity s governing body, the size of our investment and future cash flows of the entity.

On a periodic basis, we assess whether there are any indicators that the value of our investments in Joint Ventures may be impaired. An investment is impaired only if our estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the fair value of the investment. Our estimates of fair value for each investment are based on a number of subjective assumptions that are subject to economic and market uncertainties including, among others, demand for space, market rental rates and operating costs, the discount rate used to value the cash flows of the properties and the discount rate used to value the Joint Ventures debt.

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

We are engaged in the acquisition of individual properties as well as multi-property portfolios. We are required to allocate purchase price between land, building, tenant improvements, leasing commissions, in-place leases, tenant relationship and above and below market leases. Above-market and below-market lease values for acquired properties are recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) our estimate of fair market lease rents for each corresponding in-place lease. Acquired above and below market leases are amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental income. In-place lease and tenant relationship values for acquired properties are recorded based on our evaluation of the specific characteristics of each tenant s lease and our overall relationship with the respective tenant. The value allocated to in-place lease intangible assets is amortized to depreciation and amortization expense over the remaining lease term of the respective lease. The value allocated to tenant relationship is amortized to depreciation and amortization expense over the expected term of the relationship, which includes an estimate of the probability of lease renewal and its estimated term. We also must allocate purchase price on multi-property portfolios to individual properties. The allocation of purchase price is based on our assessment of various characteristics of the markets where the property is located and the expected cash flows of the property.

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

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

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2009 to Year Ended December 31, 2008

Our net (loss) income available to First Industrial Realty Trust, Inc. s common stockholders and participating securities was $(13.8) million and $20.2 million for the years ended December 31, 2009 and 2008, respectively. Basic and diluted net (loss) income available to First Industrial Realty Trust, Inc. s common stockholders were $(0.28) per share for the year ended December 31, 2009 and $0.41 per share for the year ended December 31, 2008.

The tables below summarize our revenues, property and construction expenses and depreciation and other amortization by various categories for the years ended December 31, 2009 and December 31, 2008. Same store properties are properties owned prior to January 1, 2008 and held as an operating property through December 31, 2009 and developments and redevelopments that were placed in service prior to January 1, 2008 or were substantially completed for the 12 months prior to January 1, 2008. Properties which are at least 75% occupied at acquisition are placed in service. All other properties are placed in service as they reach the earlier of a) stabilized occupancy (generally defined as 90% occupied), or b) one year subsequent to acquisition or development completion. Acquired properties are properties that were acquired subsequent to December 31, 2007 and held as an operating property through December 31, 2009. Sold properties are properties that were sold subsequent to December 31, 2007. (Re)Developments and land are land parcels and developments and redevelopments that were not: a) substantially complete 12 months prior to January 1, 2008 or b) stabilized prior to January 1, 2008. Other revenues are derived from the operations of our maintenance company, fees earned from our Joint Ventures and other miscellaneous revenues. Construction revenues and expenses represent revenues earned and expenses incurred in connection with the old TRS acting as general contractor or development manager to construct industrial properties, including industrial properties for the 2006 Development/Repositioning Joint Venture, and also include revenues and expenses related to the development of properties for third parties. Other expenses are derived from the operations of our maintenance company and other miscellaneous regional expenses.

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

For the years ended December 31, 2009 and December 31, 2008, the occupancy rates of our same store properties were 84.2% and 88.6%, respectively.

	2009	2008	$ Change	% Change
		($ in 000 s)		
REVENUES				
Same Store Properties	$ 291,812	$ 310,791	$ (18,979)	(6.1)%
Acquired Properties	28,594	15,202	13,392	88.1%
Sold Properties	5,458	38,208	(32,750)	(85.7)%
(Re)Developments and Land, Not Included Above	23,043	14,894	8,149	54.7%
Other	17,558	28,893	(11,335)	(39.2)%
	$ 366,465	$ 407,988	$ (41,523)	(10.2)%
Discontinued Operations	(9,464)	(40,966)	31,502	(76.9)%
Subtotal Revenues	$ 357,001	$ 367,022	$ (10,021)	(2.7)%
Construction Revenues	54,957	147,299	(92,342)	(62.7)%
Total Revenues	$ 411,958	$ 514,321	$ (102,363)	(19.9)%

Revenues from same store properties decreased $19.0 million due primarily to a decrease in occupancy and a decrease in tenant recoveries due to a decrease in property expenses. Revenues from acquired properties increased $13.4 million due to the 26 industrial properties acquired subsequent to December 31, 2007 totaling approximately 3.1 million square feet of GLA, as well as acquisitions of land parcels in September and October 2008 for which we receive ground rents. Revenues from sold properties decreased $32.8 million due to the 129 industrial properties sold subsequent to December 31, 2007 totaling approximately 11.1 million square feet of GLA. Revenues from (re)developments and land increased $8.1 million primarily due to an increase in occupancy. Other revenues decreased $11.3 million due primarily to a decrease in development fees earned from our Joint Ventures and a decrease in fees earned related to us assigning our interest in certain purchase contracts to third parties for consideration. Construction revenues decreased $92.3 million primarily due to the substantial completion of certain development projects for which we were acting in the capacity of development manager, offset by a development project that commenced in August 2008 for which we are acting in the capacity of development manager.

	2009	2008	$ Change	% Change
		($ in 000 s)		
PROPERTY AND CONSTRUCTION EXPENSES				
Same Store Properties	$ 95,140	$ 101,999	$ (6,859)	(6.7)%
Acquired Properties	6,852	3,324	3,528	106.1%
Sold Properties	1,437	12,428	(10,991)	(88.4)%
(Re) Developments and Land, Not Included Above	8,588	7,444	1,144	15.4%
Other	14,229	10,422	3,807	36.5%
	$ 126,246	$ 135,617	$ (9,371)	(8.6)%
Discontinued Operations				