FIRST INDUSTRIAL REALTY TRUST INC
Form 10-Q
August 09, 2006

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

Form 10-Q

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the quarterly period ended June 30, 2006**
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission file number 1-13102

First Industrial Realty Trust, Inc.
(Exact Name of Registrant as Specified in its Charter)

Maryland	**36-3935116**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

311 S. Wacker Drive, Suite 4000, Chicago, Illinois 60606
(Address of Principal Executive Offices)

(312) 344-4300
(Registrant s Telephone Number, Including Area Code)

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, 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

Number of shares of Common Stock, $.01 par value, outstanding as of July 28, 2006: 44,805,265.

FIRST INDUSTRIAL REALTY TRUST, INC.

Form 10-Q

For the Period Ended June 30, 2006

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

	June 30, 2006	December 31, 2005
	(Unaudited)	
	(Dollars in thousands, except share and per share data)	
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$ 538,349	$ 541,406
Buildings and Improvements	2,534,754	2,653,281
Construction in Progress	108,882	66,074
Less: Accumulated Depreciation	(436,264)	(410,566)
Net Investment in Real Estate	2,745,721	2,850,195
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of $7,587 and $1,622 at June 30, 2006 and December 31, 2005, respectively	73,260	16,840
Cash and Cash Equivalents	86	8,237
Restricted Cash	73,344	29,581
Tenant Accounts Receivable, Net	7,527	8,897
Investments in Joint Ventures	49,280	44,241
Deferred Rent Receivable, Net	26,671	24,910
Deferred Financing Costs, Net	11,605	10,909
Deferred Leasing Intangibles, Net	80,272	78,537
Prepaid Expenses and Other Assets, Net	99,414	153,896
Total Assets	$ 3,167,180	$ 3,226,243
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Mortgage Loans Payable, Net	$ 52,488	$ 57,309
Senior Unsecured Debt, Net	1,498,952	1,298,893
Unsecured Lines of Credit	268,000	457,500

Accounts Payable, Accrued Expenses and Other Liabilities, Net	107,608	110,560
Deferred Leasing Intangibles, Net	17,281	24,307
Rents Received in Advance and Security Deposits	29,639	32,283
Leasing Intangibles Held For Sale, Net of Accumulated Amortization of $90 at June 30, 2006	128	
Dividends Payable	37,270	39,509
Total Liabilities	2,011,366	2,020,361
Commitments and Contingencies		
Minority Interest	159,443	162,320
Stockholders Equity:		
Preferred Stock ($.01 par value, 10,000,000 shares authorized, 20,000, 500, 250 and 600 shares of Series C, F, G and J Cumulative Preferred Stock, respectively, issued and outstanding at June 30, 2006, having a liquidation preference of $2,500 per share ($50,000), $100,000 per share ($50,000), $100,000 per share ($25,000) and $250,000 per share ($150,000), respectively. At December 31, 2005, 10,000,000 shares authorized, 20,000, 500, 250 and 750 shares of Series C, F, G and I Cumulative Preferred Stock, respectively, issued and outstanding at December 31, 2005, having a liquidation preference of $2,500 per share ($50,000), $100,000 per share ($50,000), $100,000 per share ($25,000) and $250,000 per share ($187,500), respectively)		
Common Stock ($.01 par value, 100,000,000 shares authorized, 47,319,449 and 46,971,110 shares issued and 44,793,049 and 44,444,710 shares outstanding at June 30, 2006 and December 31, 2005, respectively)	465	470
Additional Paid-in-Capital	1,336,851	1,384,712
Distributions in Excess of Accumulated Earnings	(267,099)	(248,686)
Unearned Value of Restricted Stock Grants		(16,825)
Accumulated Other Comprehensive Loss	(3,258)	(5,521)
Treasury Shares at Cost (2,526,400 shares at June 30, 2006 and December 31, 2005)	(70,588)	(70,588)
Total Stockholders Equity	996,371	1,043,562
Total Liabilities and Stockholders Equity	$ 3,167,180	$ 3,226,243

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

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Unaudited) (Dollars in thousands, except share and per share data)			
Revenues:				
Rental Income	$ 71,283	$ 56,009	$ 138,536	$ 110,985
Tenant Recoveries and Other Income	29,214	19,354	55,605	40,682
Revenues from Build to Suit Development for Sale			733	
Total Revenues	100,497	75,363	194,874	151,667
Expenses:				
Property Expenses	32,610	25,942	65,968	52,871
General and Administrative	18,236	11,571	35,872	23,493
Depreciation and Other Amortization	39,093	25,134	74,442	48,893
Expenses from Build to Suit Development for Sale			666	
Total Expenses	89,939	62,647	176,948	125,257
Other Income/Expense:				
Interest Income	260	448	899	837
Interest Expense	(29,744)	(25,890)	(59,232)	(51,693)
Amortization of Deferred Financing Costs	(603)	(510)	(1,223)	(1,019)
Mark-to-Market/Gain on Settlement of Interest Rate Protection Agreement		(1,404)	(170)	(463)
Total Other Income/Expense	(30,087)	(27,356)	(59,726)	(52,338)
Loss from Continuing Operations Before Equity in Income (Loss) of Joint Ventures, Income Tax Benefit and Income Allocated to Minority Interest	(19,529)	(14,640)	(41,800)	(25,928)
Equity in Income (Loss) of Joint Ventures	7,307	(98)	7,273	(220)
Income Tax Benefit	483	2,694	6,476	4,720
Minority Interest Allocable to Continuing Operations	2,085	1,857	4,965	3,380
Loss from Continuing Operations	(9,654)	(10,187)	(23,086)	(18,048)
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $51,953 and $33,690 for the Three Months Ended June 30, 2006 and 2005,	54,521	38,116	110,291	55,994

respectively and $105,532 and $47,186 for the Six Months Ended June 30, 2006 and 2005, respectively)				
Provision for Income Taxes Allocable to Discontinued Operations (Including $7,484 and $2,584 for the Three Months Ended June 30, 2006 and 2005, respectively and $21,946 and $5,383 for the Six Months Ended June 30, 2006 and 2005, respectively allocable to Gain on Sale of Real Estate)	(7,845)	(3,156)	(23,133)	(7,071)
Minority Interest Allocable to Discontinued Operations	(6,073)	(4,572)	(11,418)	(6,409)
Income Before Gain on Sale of Real Estate	30,949	20,201	52,654	24,466
Gain on Sale of Real Estate	2,493	3,232	4,011	24,716
Provision for Income Taxes Allocable to Gain on Sale of Real Estate	(947)	(1,446)	(1,039)	(8,977)
Minority Interest Allocable to Gain on Sale of Sale Estate	(201)	(234)	(389)	(2,062)
Net Income	32,294	21,753	55,237	38,143
Less: Preferred Stock Dividends	(5,029)	(2,310)	(10,048)	(4,620)
Less: Redemption of Preferred Stock			(672)	
Net Income Available to Common Stockholders	$ 27,265	$ 19,443	$ 44,517	$ 33,523
Basic Earnings Per Share:				
Loss from Continuing Operations	$ (0.30)	$ (0.26)	$ (0.71)	$ (0.21)
Income From Discontinued Operations	$ 0.92	$ 0.72	$ 1.72	$ 1.01
Net Income Available to Common Stockholders	$ 0.62	$ 0.46	$ 1.01	$ 0.79
Weighted Average Shares Outstanding	44,006	42,285	43,947	42,222
Diluted Earnings Per Share:				
Loss from Continuing Operations	$ (0.30)	$ (0.26)	$ (0.71)	$ (0.21)
Income From Discontinued Operations	$ 0.92	$ 0.72	$ 1.72	$ 1.01
Net Income Available to Common Stockholders	$ 0.62	$ 0.46	$ 1.01	$ 0.79
Weighted Average Shares Outstanding	44,006	42,285	43,947	42,222
Net Income	$ 32,294	$ 21,753	$ 55,237	$ 38,143
Other Comprehensive (Loss) Income:				
Settlement of Interest Rate Protection Agreements			(1,729)	
Mark-to-Market of Interest Rate Protection Agreements	3,374		4,789	
Amortization of Interest Rate Protection Agreements	(220)	(273)	(450)	(547)
Other Comprehensive Income Allocable to Minority Interest	(410)		(342)	
Comprehensive Income	$ 35,038	$ 21,480	$ 57,505	$ 37,596

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

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FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Unaudited) (Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 55,237	$ 38,143
Income Allocated to Minority Interest	6,842	5,091
Net Income Before Minority Interest	62,079	43,234
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	60,832	45,569
Amortization of Deferred Financing Costs	1,223	1,019
Other Amortization	19,851	15,309
Provision for Bad Debt	846	931
Mark-to-Market of Interest Rate Protection Agreement	(16)	463
Equity in (Income) Loss of Joint Ventures	(7,273)	220
Distributions from Joint Ventures	7,847	
Gain on Sale of Real Estate	(109,543)	(71,902)
Decrease in Build to Suit Development for Sale Costs Receivable	16,241	
Decrease (Increase) in Tenant Accounts Receivable and Prepaid Expenses and Other Assets, Net	3,615	(6,549)
Increase in Deferred Rent Receivable	(4,987)	(4,063)
Increase (Decrease) in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	2,669	(2,902)
Net Cash Provided by Operating Activities	53,384	21,329
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of and Additions to Investment in Real Estate	(389,459)	(304,857)
Net Proceeds from Sales of Investments in Real Estate	471,106	260,481
Contributions to and Investments in Joint Ventures	(14,093)	(11,191)
Distributions from Joint Ventures	8,099	402
Repayment of Mortgage Loans Receivable	34,987	37,627
(Increase) Decrease in Restricted Cash	(43,763)	25
Net Cash Provided by (Used in) Investing Activities	66,877	(17,513)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Net Proceeds from the Issuance of Common Stock	1,240	6,479
Proceeds from the Issuance of Preferred Stock	144,672	
Redemption of Preferred Stock	(182,156)	
Repurchase of Restricted Stock	(2,660)	(3,262)
Dividends/Distributions	(71,766)	(68,594)
Preferred Stock Dividends	(12,574)	(4,620)
Repayments on Mortgage Loans Payable	(11,431)	(922)
Net Proceeds from Senior Unsecured Debt	199,306	
Other Costs of Senior Unsecured Debt	(1,729)	
Proceeds on Mortgage Loans Payable		1,167
Proceeds from Unsecured Lines of Credit	303,500	153,500
Repayments on Unsecured Lines of Credit	(493,000)	(91,500)
Debt Issuance Costs	(1,814)	(116)
Net Cash Used in Financing Activities	(128,412)	(7,868)
Net Decrease in Cash and Cash Equivalents	(8,151)	(4,052)
Cash and Cash Equivalents, Beginning of Period	8,237	4,924
Cash and Cash Equivalents, End of Period	$ 86	$ 872

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

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FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited)

1. Organization and Formation of Company

First Industrial Realty Trust, Inc. (the Company) was organized in the state of Maryland on August 10, 1993. The Company is a real estate investment trust as defined in the Internal Revenue Code. The Company s operations are conducted primarily through First Industrial, L.P. (the Operating Partnership) of which the Company is the sole general partner with an approximate 87.0% ownership interest at June 30, 2006 and June 30, 2005. Minority interest at June 30, 2006 and June 30, 2005 of approximately 13.0% represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

As of June 30, 2006, the Company owned 946 industrial properties (inclusive of developments in process) located in 28 states in the United States and one province in Canada, containing an aggregate of approximately 77.5 million square feet of gross leasable area (GLA). Of the 946 industrial properties owned by the Company, 759 are held by the Operating Partnership and limited liability companies of which the Operating Partnership is the sole member, 94 are held by limited partnerships in which the Operating Partnership is the limited partner and wholly-owned subsidiaries of the Company are the general partners and 93 are held directly or indirectly by an entity wholly-owned by the Operating Partnership.

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

The Company, through separate wholly-owned limited liability companies of which the Operating Partnership or First Industrial Development Services, Inc. is the sole member, also owns minority equity interests in, and provides various services to, four other joint ventures which invest in industrial properties (the September 1998 Joint Venture , the May 2003 Joint Venture , the March 2005 Joint Venture and the September 2005 Joint Venture ; together with the March 2006 Co-Investment Program, the Joint Ventures). The operating data of the Joint Ventures is not consolidated with that of the Company as presented herein.

2. Summary of Significant Accounting Policies

The accompanying unaudited interim financial statements have been prepared in accordance with the accounting policies described in the financial statements and related notes included in the Company s 2005 Form 10-K and should be read in conjunction with such financial statements and related notes. The following notes to these interim financial statements highlight significant changes to the notes included in the December 31, 2005 audited financial statements included in the Company s 2005 Form 10-K and present interim disclosures as required by the Securities and Exchange Commission.

In order to conform with generally accepted accounting principles, management, in preparation of the Company s financial statements, is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of June 30, 2006 and December 31, 2005, and the reported amounts of revenues and expenses for each of the three and six months ended June 30, 2006 and June 30, 2005. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited interim financial statements reflect all adjustments necessary for a fair presentation of the financial position of the Company as of June 30, 2006 and December 31, 2005 and the results of its operations and comprehensive income for each of the three and six months ended June 30, 2006 and June 30, 2005, and its cash flows for each of the six months ended June 30, 2006 and June 30, 2005, and all adjustments are of a normal recurring nature.

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FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock Incentive Plans:

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

For the six months ended June 30, 2006 and 2005, the Company awarded 305,455 and 191,979 restricted stock awards to its employees and directors of the Company having a fair value of $11,614 and $8,055, respectively. The awards generally vest over three years. For the six months ended June 30, 2006 and 2005, the Company recognized $4,625 and $4,820 in restricted stock amortization related to restricted stock awards, of which $614 and $646, respectively, was capitalized in connection with development activities. At June 30, 2006, the Company has $23,078 in unearned compensation related to unvested restricted stock awards. The weighted average period that the unrecognized compensation is expected to be incurred is 1.89 years. The Company has not awarded options to employees or directors of the Company during the six months ended June 30, 2006 and June 30, 2005, and therefore no stock-based employee compensation expense related to options is included in net income available to common stockholders.

Prior to January 1, 2003, the Company accounted for its stock incentive plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). Under APB 25, compensation expense is not recognized for options issued in which the strike price is equal to the fair value of the Company s stock on the date of grant. The following table illustrates the pro forma effect on net income and earnings per share as if the fair value recognition provisions of FAS 123R had been applied to all outstanding and unvested option awards for the three and six months ended June 30, 2005:

	Three and Six Months Ended June 30, 2005	
Net Income Available to Common Stockholders as reported	$ 19,443	$ 33,523
Less: Total Stock-Based Employee Compensation Expense, Net of Minority Interest Determined Under the Fair Value Method	(16)	(56)
Net Income Available to Common Stockholders pro forma	$ 19,427	$ 33,467

Net Income Available to Common Stockholders per Share	as reported	Basic	$	0.46	$	0.79
Net Income Available to Common Stockholders per Share	pro forma	Basic	$	0.46	$	0.79
Net Income Available to Common Stockholders per Share	as reported	Diluted	$	0.46	$	0.79
Net Income Available to Common Stockholders per Share	pro forma	Diluted	$	0.46	$	0.79

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Leasing Intangibles

Deferred Leasing Intangibles included in the Company s total assets consist of the following:

	June 30, 2006	December 31, 2005
In-Place Leases	$ 77,684	$ 78,674
Less: Accumulated Amortization	(10,609)	(6,236)
	$ 67,075	$ 72,438
Above Market Leases	$ 7,338	$ 7,958
Less: Accumulated Amortization	(2,098)	(1,859)
	$ 5,240	$ 6,099
Tenant Relationship	$ 8,318	$
Less: Accumulated Amortization	(361)	
	$ 7,957	$

Deferred Leasing Intangibles included in the Company s total liabilities consist of the following:

	June 30, 2006	December 31, 2005
Below Market Leases	$ 22,327	$ 27,710
Less: Accumulated Amortization	(5,046)	(3,403)
	$ 17,281	$ 24,307

The fair value of in-place leases, above market leases, tenant relationships and below market leases recorded due to real estate acquisitions during the six months ended June 30, 2006 was $15,742 $1,541, $8,482 and $(4,295) respectively. The fair value of in-place leases, above market leases and below market leases recorded due to real estate acquisitions during the six months ended June 30, 2005 was $20,054, $3,891 and $(4,409), respectively.

Net amortization expense related to deferred leasing intangibles was $5,360 and $1,732 for the six months ended June 30, 2006 and June 30, 2005, respectively. The Company will recognize net amortization expense related to deferred leasing intangibles over the next five years as follows:

Remainder of 2006	$ 9,036
2007	15,657
2008	13,918
2009	12,467
2010	10,556
Total	$ 61,634

Recent Accounting Pronouncements

In February 2006, the FASB issued Statement of Financial Standards (SFAS) No. 155, *Accounting for Certain Hybrid Financial Instruments* which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Extinguishments of Liabilities. This Statement resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. This Statement:

a. Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation;

b. Clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133;

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

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

e. Amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

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

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

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

3. Investments in Joint Ventures

At June 30, 2006, the September 1998 Joint Venture owned 41 industrial properties comprising approximately 1.3 million square feet of GLA, the May 2003 Joint Venture owned 12 industrial properties comprising approximately 5.4 million square feet of GLA, the March 2005 Joint Venture owned 41 industrial properties comprising

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approximately 3.6 million square feet of GLA and several land parcels, the September 2005 Joint Venture owned 178 industrial properties comprising approximately 12.2 million square feet of GLA and several land parcels and the March 2006 Joint Venture owned seven industrial properties comprising approximately 3.1 million square feet of GLA (of which the Company has an equity interest in six industrial properties comprising approximately 2.2 million square feet of GLA).

At June 30, 2006 and December 31, 2005, the Company has a receivable from the Joint Ventures of $4,810 and $3,354, respectively, which mainly relates to development, leasing, property management and asset management fees due to the Company from the Joint Ventures, reimbursement for development expenditures made by a wholly owned subsidiary of the Company who is acting in the capacity of the developer for two development projects for the March 2005 Joint Venture and from borrowings made to the September 1998 Joint Venture.

During the six months ended June 30, 2006 and June 30, 2005, the Company invested the following amounts in its Joint Ventures as well as received distributions and recognized fees from acquisition, disposition, leasing, development, property management and asset management services in the following amounts:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Contributions	$ 12,198	$ 10,385
Distributions	$ 15,946	$ 402
Fees	$ 10,793	$ 2,661

4. Mortgage Loans Payable, Net, Senior Unsecured Debt, Net and Unsecured Line of Credit

On September 24, 1996, the Consolidated Operating Partnership assumed a mortgage loan in the amount of $2,600 (the Acquisition Mortgage Loan IV). The Acquisition Mortgage Loan IV was collateralized by one property in Baltimore, MD. The loan had a maturity date of October 1, 2006, and a fixed interest rate of 8.95%. The Acquisition Mortgage Loan IV was paid off and retired on June 30, 2006.

On January 10, 2006, the Company, through the Operating Partnership, issued $200,000 of senior unsecured debt which matures on January 15, 2016 and bears interest at a rate of 5.75% (the 2016 Notes). The issue price of the 2016 Notes was 99.653%. Interest is paid semi-annually in arrears on January 15 and July 15. In December 2005, the Company also entered into interest rate protection agreements which were used to fix the interest rate on the 2016 Notes prior to issuance. The Company settled the interest rate protection agreements on January 9, 2006 for a payment of approximately $1,729, which is included in other comprehensive income. The debt issue discount and the settlement amount of the interest rate protection agreements will be amortized over the life of the 2016 Notes as an adjustment to interest expense. Including the impact of the offering discount and the settlement amount of the interest rate protection agreements, the Company s effective interest rate on the 2016 Notes is 5.91%. The 2016 Notes contain certain covenants, including limitations on incurrence of debt and debt service coverage.

On January 11, 2006, the Company assumed a mortgage loan in the amount of $1,954 (the Acquisition Mortgage Loan XIX). The Acquisition Mortgage Loan XIX is collateralized by one property in Richmond, IN, bears interest at a fixed rate of 7.32% and provides for monthly principal and interest payments based on a 10 year amortization schedule. The Acquisition Mortgage Loan XIX matures on June 1, 2014. In conjunction with the assumption of the Acquisition Mortgage Loan XIX, the Company recorded a premium in the amount of $116 which will be amortized as an adjustment to interest expense through June 1, 2014. Including the impact of the premium recorded, the Company s effective interest rate on the Acquisition Mortgage Loan XIX is 5.82%.

On March 7, 2006, the Consolidated Operating Partnership assumed a mortgage loan in the amount of $4,925 (the Acquisition Mortgage Loan XX). The Acquisition Mortgage Loan XX was collateralized by a land parcel in

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Compton, CA, did not require principal payments prior to maturity on June 5, 2006 and had an 8.0% interest rate. The Acquisition Mortgage Loan XX was paid off and retired on June 5, 2006.

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

	Outstanding Balance at June 30, 2006	Outstanding Balance at December 31, 2005	Accrued Interest Payable at June 30, 2006	Accrued Interest Payable at December 31, 2005	Interest Rate at June 30, 2006	Maturity Date
Mortgage Loans Payable, Net						
Assumed Loan I	$ 2,045	$ 2,320	$	$	9.250%	09/01/09
Assumed Loan II	1,711	1,805			9.250%	01/01/13
Acquisition Mortgage Loan IV	(1)	1,936		14	N/A(1)	N/A(1)
Acquisition Mortgage Loan V	(2)	2,380(3)		18	N/A(2)	N/A(2)
Acquisition Mortgage Loan VIII	5,226	5,308	36	37	8.260%	12/01/19
Acquisition Mortgage Loan IX	5,420	5,505	37	38	8.260%	12/01/19
Acquisition Mortgage Loan X	15,469(3)	15,733(3)	95	98	8.250%	12/01/10
Acquisition Mortgage Loan XII	2,471(3)	2,503(3)	14	15	7.540%	01/01/12
Acquisition Mortgage Loan XIV	6,212(3)	6,392(3)	34	34	6.940%	07/01/09
Acquisition Mortgage Loan XV	(4)	1,167			N/A(4)	N/A(4)
Acquisition Mortgage Loan XVI	1,926(3)	1,960(3)	9	9	5.500%	09/30/24
Acquisition Mortgage Loan XVII	3,101(3)	3,209(3)	18	18	7.375%	05/01/16
Acquisition Mortgage Loan XVIII	6,914(3)	7,091(3)	40	42	7.580%	03/01/11
Acquisition Mortgage Loan XIX	1,993(3)		11		7.320%	06/01/14
Acquisition Mortgage Loan XX	(5)				N/A(5)	N/A(5)
Total	$ 52,488	$ 57,309	$ 294	$ 323		

Senior Unsecured Debt, Net						
2006 Notes	$ 150,000	$ 150,000	$ 875	$ 875	7.000%	12/01/06
2007 Notes	149,995(6)	149,992(6)	1,456	1,456	7.600%	05/15/07
2016 Notes	199,338(6)		5,462		5.750%	01/15/16
2017 Notes	99,890(6)	99,886(6)	625	625	7.500%	12/01/17
2027 Notes	15,055(6)	15,054(6)	138	138	7.150%	05/15/27
2028 Notes	199,827(6)	199,823(6)	7,009	7,009	7.600%	07/15/28
2011 Notes	199,715(6)	199,685(6)	4,343	4,343	7.375%	03/15/11
2012 Notes	199,201(6)	199,132(6)	2,903	2,903	6.875%	04/15/12
2032 Notes	49,424(6)	49,413(6)	818	818	7.750%	04/15/32
2009 Notes	124,871(6)	124,849(6)	292	292	5.250%	06/15/09
2014 Notes	111,636(6)	111,059(6)	669	669	6.420%	06/01/14
Total	$ 1,498,952	$ 1,298,893	$ 24,590	$ 19,128		

Unsecured Lines of Credit						
2005 Unsecured Line of Credit I	$ 268,000	$ 332,500	$ 1,581	$ 1,833	5.867%	09/28/08
2005 Unsecured Line of Credit II	(7)	125,000	(7)	232	N/A(7)	N/A(7)
Total	$ 268,000	$ 457,500	$ 1,581	$ 2,065		

(1) On June 30, 2006, the Company paid off and retired the Acquisition Mortgage Loan IV.

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FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) On March 1, 2006, the Company paid off and retired the Acquisition Mortgage Loan V.

(3) At June 30, 2006, the Acquisition Mortgage Loan X, the Acquisition Mortgage Loan XII, the Acquisition Mortgage Loan XIV, the Acquisition Mortgage Loan XVI, the Acquisition Mortgage Loan XVII, the Acquisition Mortgage Loan XVIII, and the Acquisition Mortgage Loan XIX includes unamortized premiums of $1,718, $209, $372, $22, $234, $613, and $111, respectively. At December 31, 2005, the Acquisition Mortgage Loan V, the Acquisition Mortgage Loan X, the Acquisition Mortgage Loan XII, the Acquisition Mortgage Loan XIV, the Acquisition Mortgage Loan XVI, the Acquisition Mortgage Loan XVII, the Acquisition Mortgage Loan XVIII, includes unamortized premiums of $24, $1,909, $228, $432, $26, $246, and $681, respectively.

(4) On January 12, 2006, the Company paid off and retired the Acquisition Mortgage Loan XV.

(5) On June 5, 2006, the Company paid off and retired the Acquisition Mortgage Loan XX.

(6) At June 30, 2006, the 2007 Notes, 2016 Notes, 2017 Notes, 2027 Notes, 2028 Notes, 2011 Notes, 2012 Notes, 2032 Notes, 2009 Notes and the 2014 Notes are net of unamortized discounts of $5, $662, $110, $15, $173, $285, $799, $576, $129 and $13,365 respectively. At December 31, 2005, the 2007 Notes, 2017 Notes, 2027 Notes, 2028 Notes, 2011 Notes, 2012 Notes, 2032 Notes, 2009 Notes and the 2014 Notes are net of unamortized discounts of $8, $114, $16, $177, $315, $868, $587, $151 and $13,941, respectively.

(7) On January 10, 2006, the Company, through the Operating Partnership, paid off and retired the 2005 Unsecured Line of Credit II.

The following is a schedule of the stated maturities and scheduled principal payments of the mortgage loans, senior unsecured debt and unsecured line of credit, exclusive of premiums and discounts, for the next five years ending December 31, and thereafter:

	Amount
Remainder of 2006	$ 151,035
2007	152,339
2008	270,533
2009	132,411
2010	15,472
Thereafter	1,110,488
Total	$ 1,832,278

Derivatives:

In April 2006, the Company, through the Operating Partnership, entered into four interest rate protection agreements which fixed the interest rate on forecasted offerings of unsecured debt which it designated as cash flow hedges. Two of the interest rate protection agreements each have a notional value of $72,900 and are effective from November 28, 2006 through November 28, 2016. The interest rate protection agreements fixed the LIBOR rate at 5.537%. The third and fourth interest rate protection agreements each have a notional value of $74,750, are effective from May 10, 2007 through May 10, 2012, and fixed the LIBOR rate at 5.420%.

In October 2005, the Company, through First Industrial Development Services, Inc., entered into an interest rate protection agreement which hedged the change in value of a build to suit development project the Company was constructing. This interest rate protection agreement had a notional value of $50,000, was based on the three Month LIBOR rate, had a strike rate of 4.8675%, had an effective date of December 30, 2005 and a termination date of December 30, 2010. Per Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities fair value and cash flow hedge accounting for hedges of non-financial assets and liabilities is limited to hedges of the risk of changes in the market price of the entire hedged item because changes in the price of an ingredient or component of a non-financial item generally do not have a predictable, separately measurable effect

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FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

on the price of the item. Since the interest rate protection agreement is hedging a component of the change in value of the build to suit development, the interest rate protection agreement does not qualify for hedge accounting and the change in value of the interest rate protection agreement will be recognized immediately in net income as opposed to other comprehensive income. On January 5, 2006, the Company, through First Industrial Development Services, Inc., settled the interest rate protection agreement for a payment of $186.

In December 2005, the Company, through the Operating Partnership, entered into three interest rate protection agreements which fixed the interest rate on a forecasted offering of unsecured debt which it designated as cash flow hedges. Two of the interest rate protection agreements each had a notional value of $48,700 and were effective from December 30, 2005 through December 30, 2015. The interest rate protection agreements fixed the LIBOR rate at 5.066% and 5.067%. The third interest rate protection agreement had a notional value of $48,700, was effective from January 19, 2006 through January 19, 2016, and fixed the LIBOR rate at 4.992%. The Company settled the three interest rate protection agreements on January 9, 2006 for a payment of approximately $1,729, which is included in other comprehensive income. The settlement amount of the interest rate protection agreements will be amortized over the life of the 2016 Notes as an adjustment to interest expense.

In conjunction with certain issuances of senior unsecured debt, the Company entered into interest rate protection agreements to fix the interest rate on anticipated offerings of senior unsecured debt. In the next 12 months, the Company will amortize approximately $1,053 into net income by decreasing interest expense.

5. Stockholders Equity

On January 13, 2006, the Company issued 6,000,000 Depositary Shares, each representing 1/10,000th of a share of the Company s 7.25%, $.01 par value, Series J Flexible Cumulative Redeemable Preferred Stock (the Series J Preferred Stock), at an initial offering price of $25.00 per Depositary Share. Dividends on the Series J Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. However, during any period that both (i) the depositary shares are not listed on the NYSE or AMEX, or quoted on NASDAQ, and (ii) the Company is not subject to the reporting requirements of the Exchange Act, but the preferred shares are outstanding, the Company will increase the dividend on the preferred shares to a rate of 8.25% of the liquidation preference per year. However, if at any time both (i) the depositary shares cease to be listed on the NYSE or the AMEX, or quoted on NASDAQ, and (ii) the Company ceases to be subject to the reporting requirements of the Exchange Act, but the preferred shares are outstanding, then the preferred shares will be redeemable, in whole but not in part at the Company s option, within 90 days of the date upon which the depositary shares cease to be listed and the Company ceases to be subject to such reporting requirements, at a redemption price equivalent to $25.00 per Depositary Share, plus all accrued and unpaid dividends to the date of redemption. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series J Preferred Stock ranks senior to payments on the Company s Common Stock and pari passu with the Company s Series C Preferred Stock, Series F Preferred Stock, and Series G Preferred Stock. The Series J Preferred Stock is not redeemable prior to January 15, 2011. On or after January 15, 2011, the Series J Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25.00 per Depositary Share, or $150,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series J Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On November 8, 2005 and November 18, 2005, the Company issued 600 and 150 Shares, respectively, of $.01 par value, Series I Flexible Cumulative Redeemable Preferred Stock, (the Series I Preferred Stock), in a private placement at an initial offering price of $250,000 per share for an aggregate initial offering price of $187,500. The Company redeemed the Series I Preferred Stock on January 13, 2006 for $242,875.00 per share, and paid a prorated first quarter dividend of $470.667 per share, totaling approximately $353. In accordance with EITF D-42, due to the redemption of the Series I Preferred Stock, the difference between the redemption cost and the carrying value of the Series I Preferred Stock of approximately $672 is reflected as a deduction from net income

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to arrive at net income available to common stockholders in determining earnings per share for the six months ended June 30, 2006.

Dividend/Distributions:

The following table summarizes dividends/distributions accrued during the six months ended June 30, 2006.

	Six Months Ended June 30, 2006	
	Dividend/ Distribution per Share/Unit	Total Dividend/ Distribution
Common Stock/Operating Partnership Units	$ 1.40	$ 72,053
Series C Preferred Stock	$ 107.82	$ 2,156
Series F Preferred Stock	$ 3,118.00	$ 1,559
Series G Preferred Stock	$ 3,618.00	$ 905
Series I Preferred Stock	$ 470.67	$ 353
Series J Preferred Stock	$ 8,458.33	$ 5,075

Non-Qualified Employee Stock Options:

During the six months ended June 30, 2006, certain employees of the Company exercised 52,667 non-qualified employee stock options. Net proceeds to the Company were approximately $1,520.

Restricted Stock:

During the six months ended June 30, 2006, the Company awarded 303,142 shares of restricted common stock to certain employees and 2,313 shares of restricted common stock to certain Directors. These shares of restricted common stock had a fair value of approximately $11,614 on the date of grant. The restricted common stock generally vests over periods from one to three years. Compensation expense will be charged to earnings over the respective vesting period for the shares expected to vest.

Units:

During the six months ended June 30, 2006, the Operating Partnership issued 31,473 Units having an aggregate market value of approximately $1,288 in exchange for property.

6. Acquisition of Real Estate

During the six months ended June 30, 2006, the Company acquired 52 industrial properties comprising approximately 4.5 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled approximately $251,276, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels.

7. Sale of Real Estate, Real Estate Held for Sale and Discontinued Operations

During the six months ended June 30, 2006, the Company sold 66 industrial properties comprising approximately 8.4 million square feet of GLA and several land parcels. Gross proceeds from the sales of the 66 industrial properties and several land parcels were approximately $498,754. The gain on sale of real estate, net of income taxes was approximately $86,558. The 66 sold industrial properties meet the criteria established by FAS 144 to be included in discontinued operations. Therefore, in accordance with FAS 144, the results of operations and gain on sale of real estate, net of income taxes for the 66 sold industrial properties are included in discontinued operations.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The results of operations and gain on sale of real estate, net of income taxes for the several land parcels that do not meet the criteria established by FAS 144 are included in continuing operations.

At June 30, 2006, the Company had 16 industrial properties comprising approximately 2.1 million square feet of GLA held for sale. In accordance with FAS 144, the results of operations of the 16 industrial properties held for sale at June 30, 2006 are included in discontinued operations. There can be no assurance that such industrial properties held for sale will be sold.

Income from discontinued operations for the six months ended June 30, 2006 reflects the results of operations and gain on sale of real estate, net of income taxes of 66 industrial properties that were sold during the six months ended June 30, 2006 as well as the results of operations of 16 industrial properties held for sale at June 30, 2006.

Income from discontinued operations for the six months ended June 30, 2005 reflects the results of operations of 66 industrial properties that were sold during the six months ended June 30, 2006, 86 industrial properties that were sold during the year ended December 31, 2005 and 16 industrial properties identified as held for sale at June 30, 2006.

The following table discloses certain information regarding the industrial properties included in discontinued operations by the Company for the three and six months ended June 30, 2006 and June 30, 2005.

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Total Revenues	$ 4,776	$ 13,947	$ 12,250	$ 27,940
Operating Expenses	(1,330)	(5,114)	(3,693)	(10,015)
Interest Expense		(172)		(344)
Depreciation and Amortization	(878)	(4,235)	(3,798)	(8,773)
Provision for Income Taxes Allocable to Operations	(361)	(572)	(1,187)	(1,688)
Gain on Sale of Real Estate	51,953	33,690	105,532	47,186
Provision for Income Taxes Allocable to Gain on Sale of Real Estate	(7,484)	(2,584)	(21,946)	(5,383)
Income from Discontinued Operations	$ 46,676	$ 34,960	$ 87,158	$ 48,923

8. Supplemental Information to Statements of Cash Flows

Supplemental disclosure of cash flow information:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Interest paid, net of capitalized interest	$ 54,283	$ 51,569
Interest capitalized	$ 3,165	$ 1,482
Supplemental schedule of noncash investing and financing activities:		
Distribution payable on common stock/Units	$ 36,038	$ 34,485
Distribution payable on preferred stock	$ 1,232	$ 1,232

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Exchange of units for common shares:		
Minority interest	$ (1,959)	$ (1,085)
Common Stock	1	1
Additional paid-in-capital	1,958	1,084
	$	$
In conjunction with the property and land acquisitions, the following assets and liabilities were assumed and units issued:		
Accounts payable and accrued expenses	$ (1,505)	$ (1,823)
Issuance of Operating Partnership Units	$ (1,288)	$ (1,507)
Mortgage Debt	$ (6,995)	$ (11,545)
Property acquisition and write-off of a mortgage loan receivable	$	$ 3,870
Write-off of retired assets	$ 13,732	$ 22,151
In conjunction with certain property sales, the Company provided seller financing:		
Notes receivable	$ 11,200	$ 21,443

9. Earnings Per Share (EPS)

The computation of basic and diluted EPS is presented below:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Numerator:				
Loss from Continuing Operations	$ (9,654)	$ (10,187)	$ (23,086)	$ (18,048)
Gain on Sale of Real Estate, Net of Minority Interest and Income Taxes	1,345	1,552	2,583	13,677
Less: Preferred Stock Dividends	(5,029)	(2,310)	(10,048)	(4,620)

Less: Redemption of Preferred Stock			(672)	
Loss from Continuing Operations Available to Common Stockholders, Net of Minority Interest For Basic and Diluted EPS	(13,338)	(10,945)	(31,223)	(8,991)
Discontinued Operations, Net of Minority Interest and Income Taxes	40,603	30,388	75,740	42,514
Net Income Available to Common Stockholders For Basic and Diluted EPS	$ 27,265	$ 19,443	$ 44,517	$ 33,523

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FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Denominator:				
Weighted Average Shares Basic	44,006,081	42,285,046	43,946,946	42,221,819