ACCELERATION

1997 ANNUAL REPORT

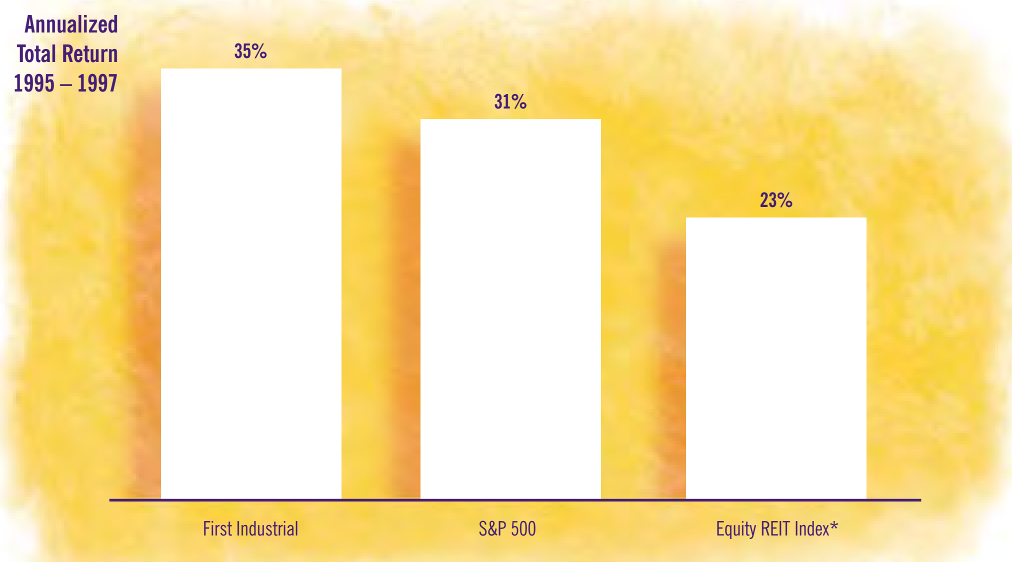
FIRST INDUSTRIAL

The pace of growth accelerated substantially

for First Industrial Realty Trust in 1997. With its balance sheet restructured and its growth strategy redefined, First Industrial became a leader in the race to consolidate the vast industrial real estate sector. Achieving the most aggressive investment program in its history, it added 24 million square feet of profitable, well-built space to its portfolio and expanded operations to 24 markets in all.

First Industrial's total return to shareholders has also surged ahead, powered by the Company's enhanced access to capital, proven entity acquisition expertise, favorable UPREIT (Umbrella Partnership Real Estate Investment Trust) structure, detailed knowledge of local market conditions and growing corps of top real estate professionals. Annualized total return to shareholders has averaged 35% over the last three years, outpacing the annualized total returns for the Standard & Poor's 500 and the Equity REIT Index during that period.

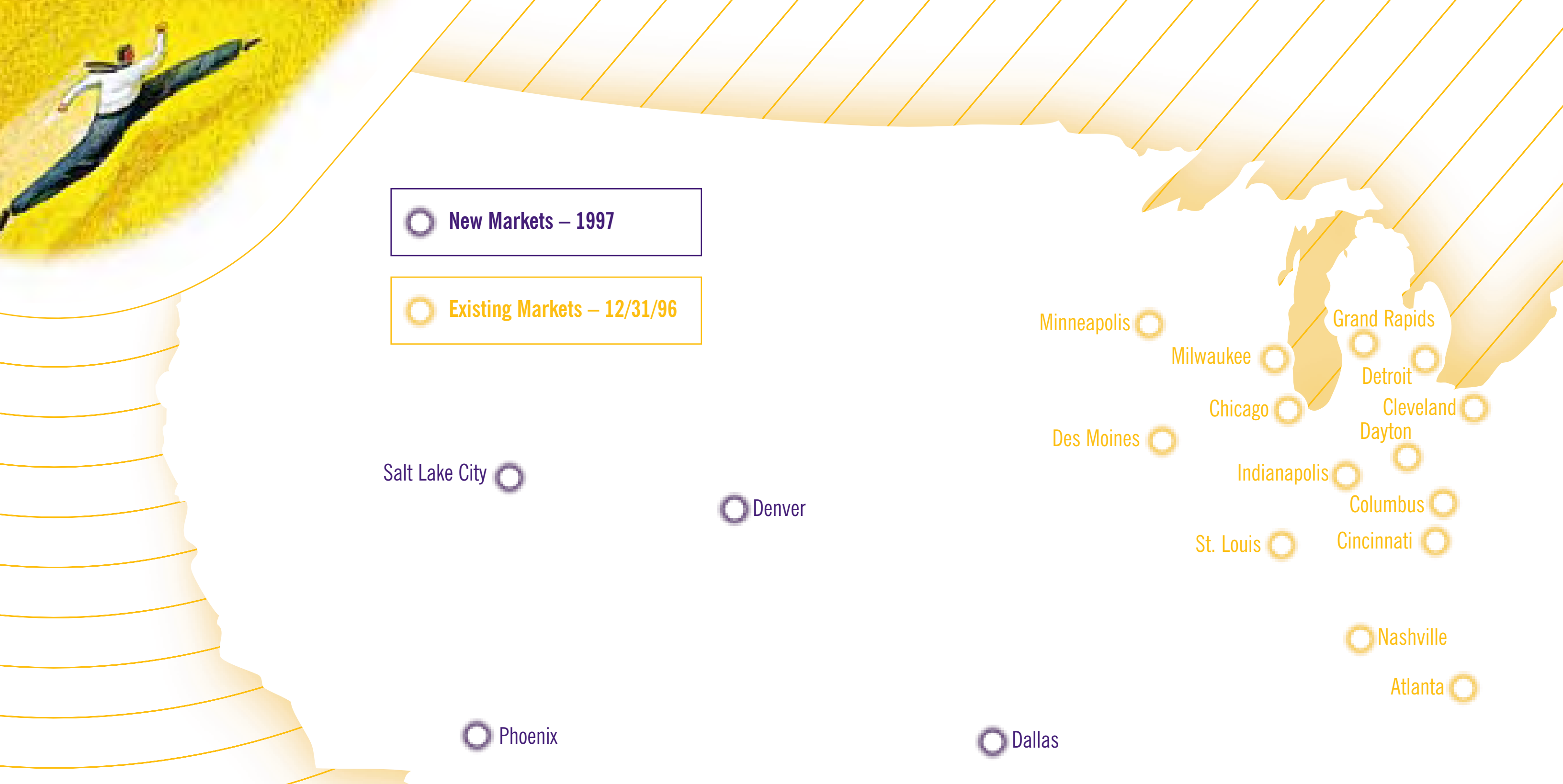
First Industrial's goal, nearing realization, is to be the premier owner and operator of industrial real estate nationwide.



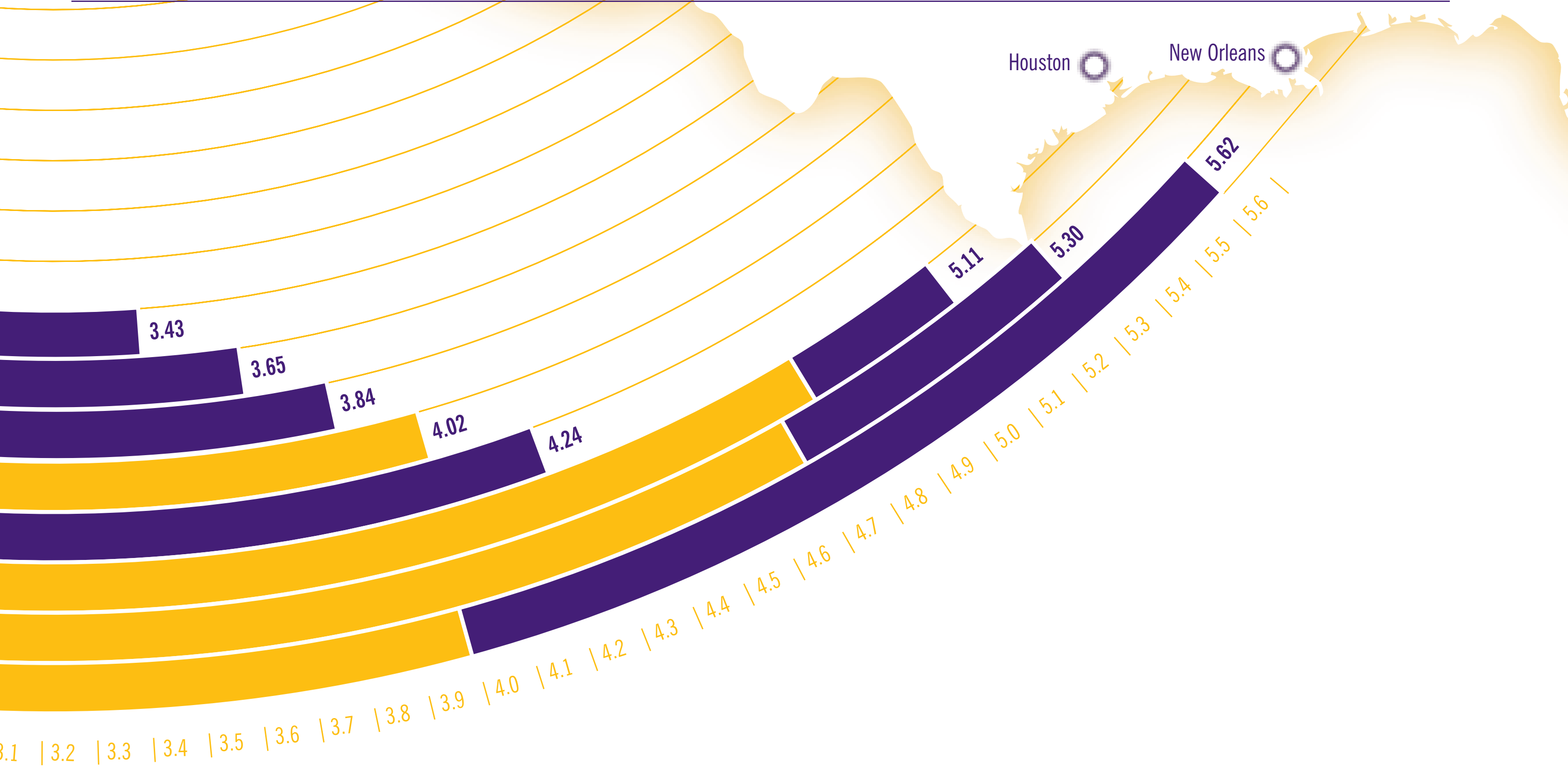
*Source: National Association of Real Estate Investment Trusts, Inc.

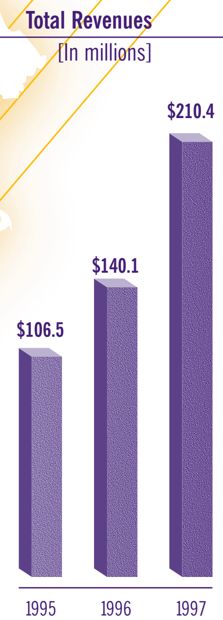
Gross Leasable Area

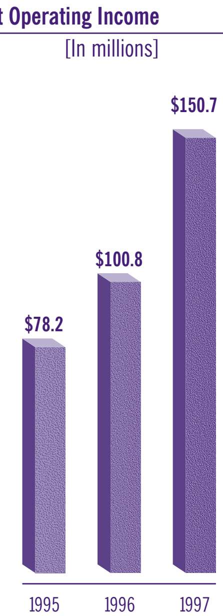
[In millions of square feet]

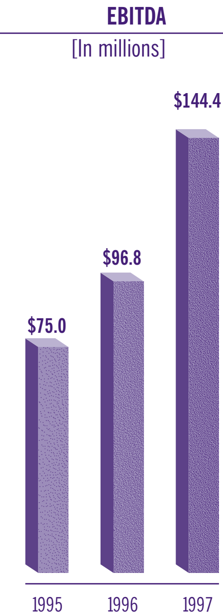


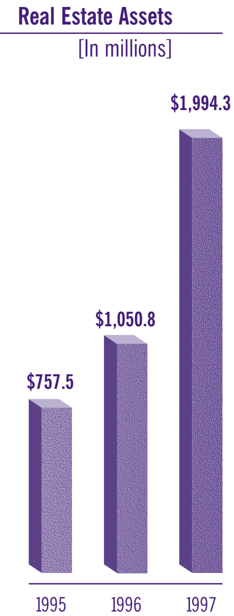
Accelerated Market Growth in 1997







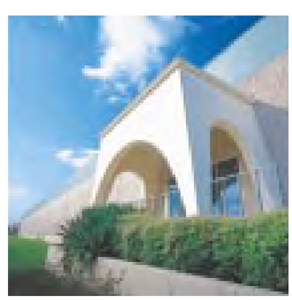




HIGHLIGHTS

FIRST INDUSTRIAL REALTY TRUST, INC.

FINANCIAL [In thousands for year ended December 31]	**1997**	**1996**	**1995**
Total Revenues	$210,417	$140,055	$106,486
Net Operating Income	$150,655	$100,831	$78,184
Funds From Operations (FFO)	$92,361	$60,546	$41,428
PROPERTY PORTFOLIO [At year end]			
Number of In-Service Properties	769	379	271
Gross Leasable Area in Square Feet	56,567,706	32,700,069	22,562,755
Occupancy Rate	96%	97%	97%
PER SHARE DATA ON COMMON STOCK			
Dividends Declared	$2.05	$1.97	$1.91
Annualized Dividend	$2.12	$2.02	$1.95
Funds From Operations (FFO)	$2.59	$2.26	$2.03
Return of Capital (Percentage of Dividend)	36%	34%	60%

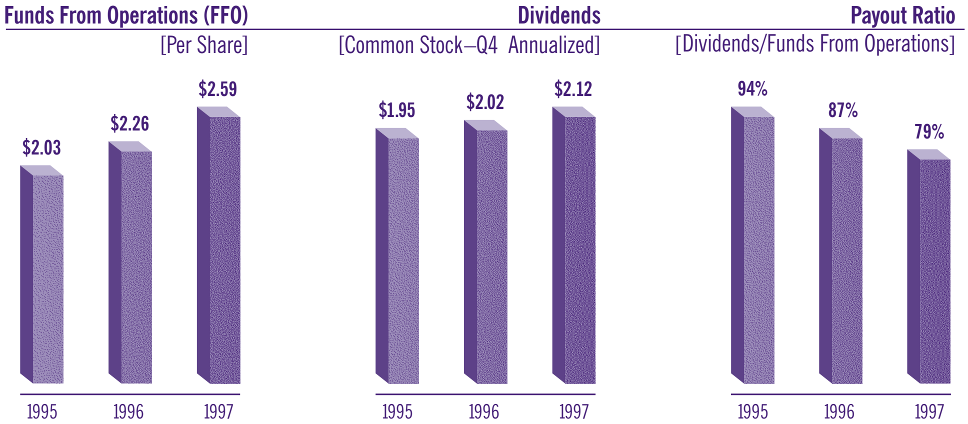


Michael T. Tomasz
President and Chief Executive Officer

LETTER TO SHAREHOLDERS

The size and character of First Industrial Realty Trust were significantly altered by the events of 1997. In many ways it was a breakthrough year. With our balance sheet restructured, we moved aggressively to find and acquire, in both new and existing markets, the most desirable industrial properties and to hire the most skilled real estate professionals.

Consolidation is sweeping the world of real estate in all property sectors. It is my belief that our investment and management record for 1997 set the standard for REITs that focus on industrial properties. First Industrial is well on its way toward meeting its goal of becoming the leading owner and operator of industrial real estate in the United States. In many ways, we are already the only industrial REIT that has the complete package – the national reach, localized skill, availability of capital, development capabilities, flexibility and "can-do" business practices – that corporate America, our customer base, so emphatically wants.



Highlights from our year include:

Our return to shareholders remained strong, with funds from operations (FFO) rising 15% to $2.59 per share from $2.26 per share in 1996. In the fourth quarter, we raised the annualized common stock dividend to $2.12 per share from $2.02 per share. Even with the higher dividend, our increase in earnings resulted in a lower dividend payout ratio of 79% from 87% for year end 1996. This trend indicates stronger dividend coverage. Our stock, which began the year trading at $30.125 per share, closed on December 31 at $36.125; market capitalization surged from $1.4 billion at the end of 1996 to $2.6 billion. Our total return to shareholders (stock appreciation and reinvested dividends) was 28% and our three-year total return was 140% (stock appreciation and reinvested dividends based on an initial investment at the beginning of 1995).

Our top priority is to create value for our shareholders, and we believe our record of the last several years shows that we have done so.

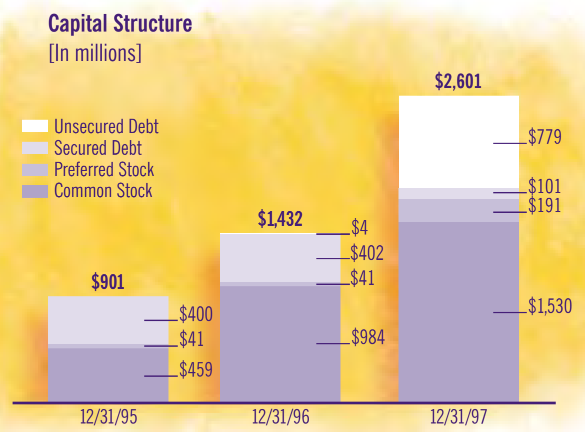
We more than tripled our acquisition pace, investing $862 million during the year; more than half of the total was invested in the fourth quarter alone. Investments included the portfolios of five leading real estate groups with operations in Long Island, New Jersey, Denver, Tampa, Dallas, Houston and Greater New Orleans. As of year end 1997, First Industrial served 24 markets, nine of them new in 1997, and a diverse base of 2,559 customers in 769 industrial properties with a combined total of 56.6 million square feet.

First Industrial is well on its way toward meeting its goal of becoming the leading owner and operator of industrial real estate in the United States.

Our development activity, based largely on our growing network of positive customer relationships, also accelerated. We placed in service 1.7 million square feet of new construction representing an investment of $50 million, up from $13 million in 1996. At year

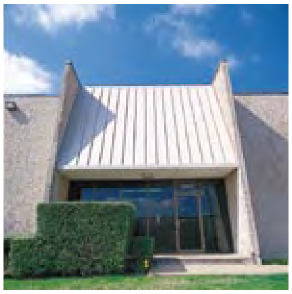
end, we had another $90 million of primarily build-to-suit development projects in progress. Our build-to-suit customers include Golden Books, McKesson Corporation, Best Buy Stores, GATX Logistics Corp. and Airborne Express, among others.

Our occupancy rate averaged 96% for the year. We maintained a high customer retention rate and negotiated favorable rent increases – all indicative of the high caliber of our regional managers.



Our investment activity was made possible by the completion in June of an 18-month program to restructure our balance sheet. We removed encumbrances on most of our properties, achieved an investment grade rating on our senior unsecured debt and preferred securities and, overall, lowered our cost of capital. We raised more than $1 billion during the year in debt and new equity issues and, in January 1998, filed a universal shelf registration for stock, depositary shares and debt securities with an aggregate maximum offering price of up to $1 billion. Our access to capital at favorable rates is more than adequate to fund our anticipated growth.

As a result of our investment activity, First Industrial has become one of the nation's leading owners and operators of industrial real estate. In previous years our portfolio was distinctly regional, consisting predominantly of holdings in midwestern and eastern markets. By the end of 1997, we established operations in the Southeast, Southwest and Rocky Mountain regions, executing our strategy to consolidate the industrial real estate market. Our intention is to continue to expand into the West Coast and new markets across the country, to gain market share within existing markets and to explore promising international opportunities.



The pace of growth has accelerated for a number of reasons:

Acceptance of the REIT and UPREIT (Umbrella Partnership Real Estate Investment Trust) structures and knowledge of their financial advantages has increased rapidly. Throughout the nation, private property holders now recognize the benefits of alliances with well-managed REITs structured as UPREITs. As an UPREIT, First Industrial has a clear competitive edge. The Company has leveraged this advantage to efficiently consolidate industrial real estate, especially through entity acquisitions. We excel at formulating transactions that create value for our shareholders and, at the same time, build relationships with and opportunities for new UPREIT partners we bring into our company.

Based on our strong customer service focus, we have also grown internally. Since our tenant base provides nearly all of our revenue, the number one priority of our regional offices is to understand and meet the needs of those customers. We recognize that major, multi-location customers have many competitive options for securing facilities, and we are determined to be the best real estate provider they will ever have. This focus has helped us to retain more customers and has led to a growing number of transactions that result from our broad package of industrial real estate capabilities.

As an UPREIT, First Industrial has a clear competitive edge. The Company has leveraged this advantage to efficiently consolidate industrial real estate.

The investment community has increasingly accepted REITs as a superb opportunity for long-term investment. With ample capital, one of the industry's best investment teams, many more new markets to enter and a wealth of opportunities to expand our holdings in existing markets, we are in an ideal situation for growth.

First Industrial seeks to consolidate the industrial sector, but we do not grow merely for the sake of growth:

We are adding to our portfolio briskly but selectively, searching out acquisitions that add to our bottom line and to our management strength. We believe we can accrue significant market advantages by quickly establishing a diversified national industrial portfolio.

We are determined to be the leading company to achieve this status, not only because of the value this creates for First Industrial, but also because it will enhance our ability to serve our customers with appropriate facilities and valuable services nationwide.

We are now a recognized leader in entity acquisitions, in which we acquire the industrial portfolios and key managers of entire real estate companies. This is particularly rewarding because it immediately gives us full-service capability and a major presence in new markets. We work hard to find partners whose operating practices are a good match with our own. For example, we met with executives of a dozen potential partners in New Jersey before identifying the Punia organization as the best fit.

A key concept for First Industrial is *balance*. We balance our entrepreneurial spirit with important corporate disciplines.

We balance the vigorous acquisition initiatives of our regional offices with equally energetic work in new markets by our corporate staff and the "UPREIT Dream Team," a group of 20 of our most skilled acquisition professionals. As a result of our combined efforts, we closed 47 acquisition transactions last year that we believe represent some of the most desirable investments in the industry.

First Industrial also seeks balance and diversification in the type of industrial properties that make up our portfolio. Our focus is to provide customers with facility options based on market-by-market demand and individual corporate needs. Interestingly, recent industry research suggests that some categories of industrial real estate, such as research and development and light industrial facilities, are now superior investments compared to distribution warehouses due to more favorable supply-and-demand characteristics. Given our strategy of product diversity, we are less vulnerable to such potential swings in fundamentals, resulting in more stable portfolio performance.

We expect consolidation to continue for the foreseeable future. We will continue to invest in new properties with a goal of further geographic expansion, diversification of industrial property type and development of our broad range of services. For example, we expect our

development capacity to further mature, and as we grow we will take advantage of our improved economies of scale in the purchase of utilities, commodities and services.

The favorable operating environment of today is certain to grow more challenging tomorrow. Yet every challenge presents an equal measure of opportunity for those who can see it and who are prepared to act. That is why we have taken such care to establish a strong base of properties, strengthen our management and refine our ability to rapidly and effectively execute our plans.

We envision a First Industrial with long-term potential for growth through acquisitions, developments and redevelopments both domestically and internationally:

We see tremendous potential in expanded partnerships with major corporate customers. We believe we will be among the very few companies that can respond fully to the wide range of customer needs for different types of industrial property and efficient, standardized systems and services nationwide.

We believe that profitable long-term growth depends upon five conditions that are the basics of our business – the people, knowledge, structure, capital and strategy – which together turn our aspirations into reality. In this annual report, we detail First Industrial's strengths in each area. These strengths are why we are so excited about our future prospects.

Profitable long-term growth depends upon five conditions: people, knowledge, structure, capital and strategy. These, together, turn our aspirations into reality.

Prior to 1997, First Industrial could reasonably be described as a good young company with great potential. Now, First Industrial is more properly seen as a leading force in the industrial real estate business. We will do everything in our power to maintain and enhance that reputation in 1998.

Michael T. Tomasz
President and Chief Executive Officer

P E O P L E

T H E   B E S T

PEOPLE

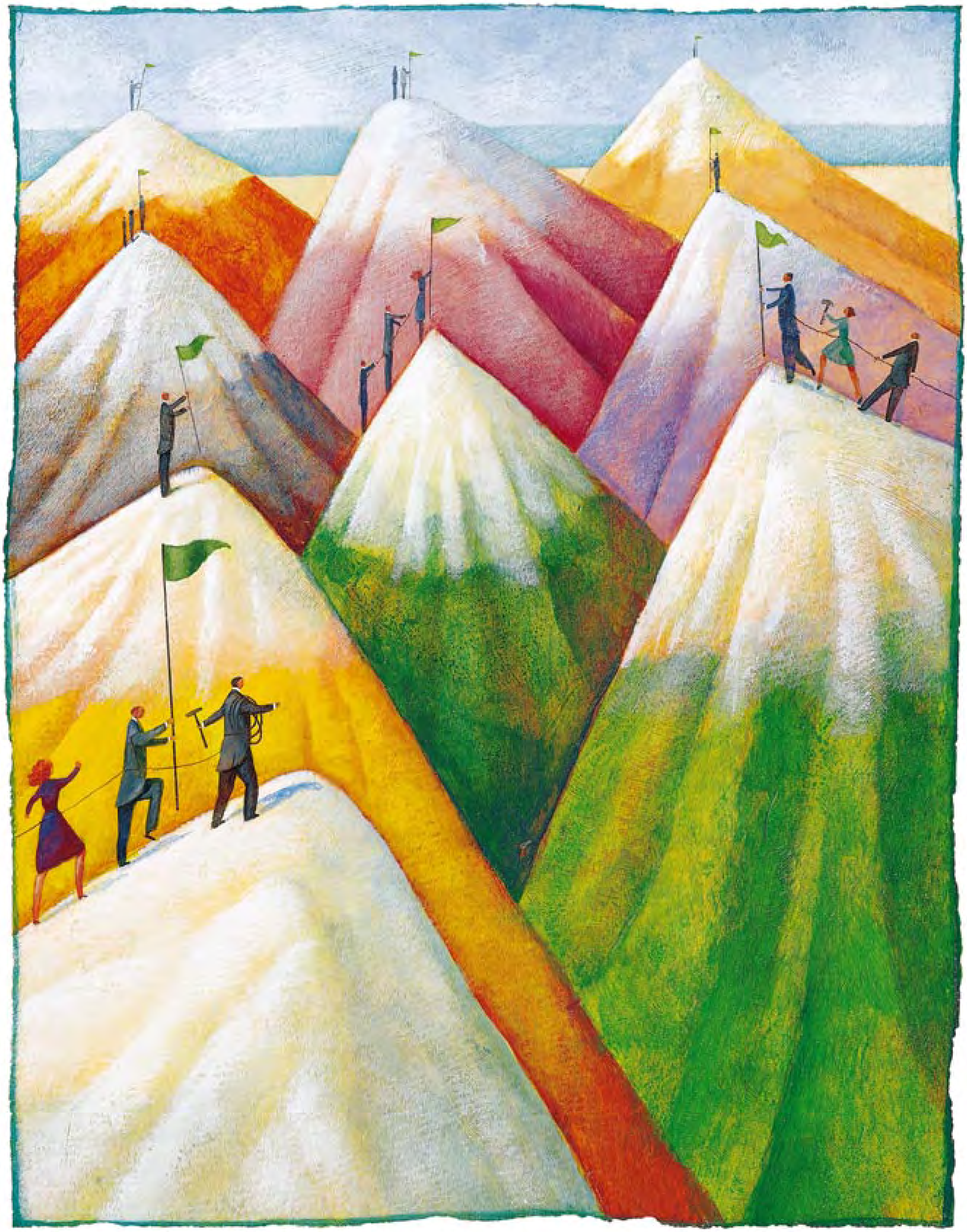
THE BEST

First Industrial's people are proven winners with the balance, strength and sense of teamwork necessary to do the extraordinary.

First Industrial's belief in its people – and its desire to have the best local real estate operators – is apparent in everything we do. We actively seek out the best operators before we complete major entity acquisitions. We want our senior regional directors and their teams to have a proven track record in acquiring, developing and managing industrial properties. We're as selective about the people we hire as we are about the properties we buy. In the last two years, we have added a total of fourteen senior regional directors and regional directors through entity acquisitions. Their productivity has been important to value creation at First Industrial. For example, Peter Murphy joined us as senior regional director with our 1996 entity acquisition of the First Highland Company, which at the time owned and managed industrial properties totaling three million square feet in Indianapolis, Cincinnati and Columbus. Since then Murphy, using First Industrial's resources and his own expert knowledge of local market conditions, has increased his portfolio by 160% and entered two additional markets in his region. As we have grown, we have placed equal emphasis on developing a lean and strong corporate staff. In addition, we instituted a broad new training system in 1997 with the intent of standardizing best practices and developing new management from within the ranks of experienced First Industrial personnel. One of our proudest accomplishments was the creation of a team of 20 regional and corporate acquisition experts who scouted, in depth, properties and ownership structures in markets coast to coast. Through this work we identified the most promising markets and portfolios to pursue. This group, which we call the "UPREIT Dream Team," is a foundation of our aggressive regional and corporate acquisition program.

KNOWLEDGE

ACT LOCALLY



KNOWLEDGE

ACT LOCALLY

First Industrial tenaciously pursues local market knowledge as a cornerstone of wise investment, enabling peak performance.

Our aspirations are national and international, but we have always believed in the fundamental that real estate is a local business. There is no substitute for knowing the territory and local market needs, pricing and opportunities. That's why we view major acquisitions as an opportunity to add local market expertise to our knowledge capital. Each acquisition is important not only for the long-term profitability of the property itself, but for the base it provides for growth and expansion in local markets. The work of our regional offices was a key factor in First Industrial's growth in 1997. Take for example, the acquisition in Mechanicsburg, Pennsylvania, of a 162,500 square foot warehouse and surrounding land that was surplus property for a national retailer. Because of our history and deep familiarity with the central Pennsylvania market, we were able to line up a new tenant for the property even before we closed the acquisition. Leveraging our understanding of local demand trends, First Industrial added further value to the transaction by developing a similar facility on the extra land. Local knowledge was the essential ingredient that made possible another series of transactions that served customer needs in New Brighton, Minnesota. Sparta Foods, a company with 60,000 square feet of space, asked a broker with a close relationship with First Industrial to help them find larger facilities. Through another strong broker relationship, First Industrial knew of a second company that wanted to sell its 100,000 square foot New Brighton facility: Lowy Group, a carpet distributor. First Industrial acquired Lowy's facility and signed Sparta Foods to a long-term lease there. Lowy, in turn, became a new customer when it moved its operations to more suitable space in a nearby First Industrial-owned building. At year end, First Industrial's national network included properties in 24 markets, each served by a local or regional office.

STRUCTURE

BUILT FOR GROWTH

First Industrial has a dual advantage in the industrial real estate market. First, we are structured under rules that allow certain tax advantages in acquiring new properties. Our UPREIT structure means that private owners of major portfolios may sell their holdings or merge their companies into First Industrial and defer payment of capital gains taxes. Owners choose to sell to First Industrial because we acquire their entities intact. Then as part of the First Industrial team, they can combine their local knowledge with our larger resources. Applying corporate guidelines for use of capital, the regions gain market share and contribute to First Industrial's growth. Our second structural advantage is the balance we maintain between our corporate and regional staff operations. Potential investments may originate from any part of our company. Regional and corporate executives share responsibility for due diligence and the ultimate investment decisions. This gives our skilled local professionals the latitude and resources they need to source acquisitions and developments for First Industrial's portfolio. It is this local autonomy and knowledge combined with corporate partnership and support that fosters additional opportunities for First Industrial. For example, one of the five entities acquired by First Industrial in 1997 was the 39 property, 2.7 million square foot industrial portfolio held by Lazarus Burman of Long Island, New York. Jan A. Burman, a partner with two decades of experience in Long Island industrial property, became senior regional director of First Industrial's newly created North-east region. With First Industrial's resources behind him, he has already completed acquisitions in Long Island totaling nearly 750,000 square feet and is reviewing more than 20 million square feet of potential investments for his region. Opportunities for growth can happen quickly under First Industrial's structure. During the fourth quarter, the Company acquired another entity, the 66 property, 4.7 million square foot industrial portfolio of Sealy and Company, with facilities in Dallas, Houston and Greater New Orleans. Just two weeks after joining First Industrial, Senior Regional Director Scott P. Sealy, Sr. completed his inaugural transaction for the Company with the purchase of a 347,000 square foot facility in Houston. By building on the entrepreneurial talents of our local experts nationwide, we have created a powerful structure for long-term growth.

STRUCTURE

BUILT FOR GROWTH

Our corporate structure blends the best characteristics of entrepreneurship with corporate resources to put the wind in our sails.

CAPITAL

OUR RESOURCES GROW

CAPITAL

OUR RESOURCES GROW

Our enhanced access to capital markets gives us additional financial flexibility at lower cost and permits us to reach new heights.

The essential lubricant of business is capital, and in 1997, First Industrial's access to capital, already good, improved dramatically. The key was the completion of our balance sheet restructuring program, begun at the end of 1995 and completed in the second quarter of 1997. There were many steps to this program, but the effect was to deleverage and unencumber almost 90% of our properties, thus, freeing up asset value and cash flow. As a consequence, investment grade ratings on our senior unsecured debt and preferred stock were established by all four major debt ratings services – Duff & Phelps Credit Rating Co., Fitch Investors Service, Inc., Moody's Investors Service, and Standard & Poor's Ratings Group. The beneficial effects of these steps were far reaching. They broadened the appeal of our securities, increased our access to capital, lowered our cost of capital and substantially shortened the time required to arrange financing. This provided needed flexibility for management of our property portfolio and, at the same time, gave us a capital structure better suited to our strategic goal of consolidating the industrial real estate sector to ultimately create value for our shareholders. Our powerful new financial structure allowed us to raise more than $1 billion in new capital in 1997. This included $650 million in unsecured debt, $150 million in preferred stock and more than $200 million in equity. We also put into place at year end a new, $300 million line of credit designed to accommodate our accelerated investment pace. The Company issued $200 million in preferred stock in the first quarter of 1998 and filed a shelf registration with the Securities and Exchange Commission to issue up to $1 billion in new debt and equity. The outlook for 1998 is for continued profitable investment with full access to capital markets at favorable terms as First Industrial continues its consolidation drive.

STRATEGY

AGGRESSIVE GROWTH

STRATEGY

AGGRESSIVE GROWTH

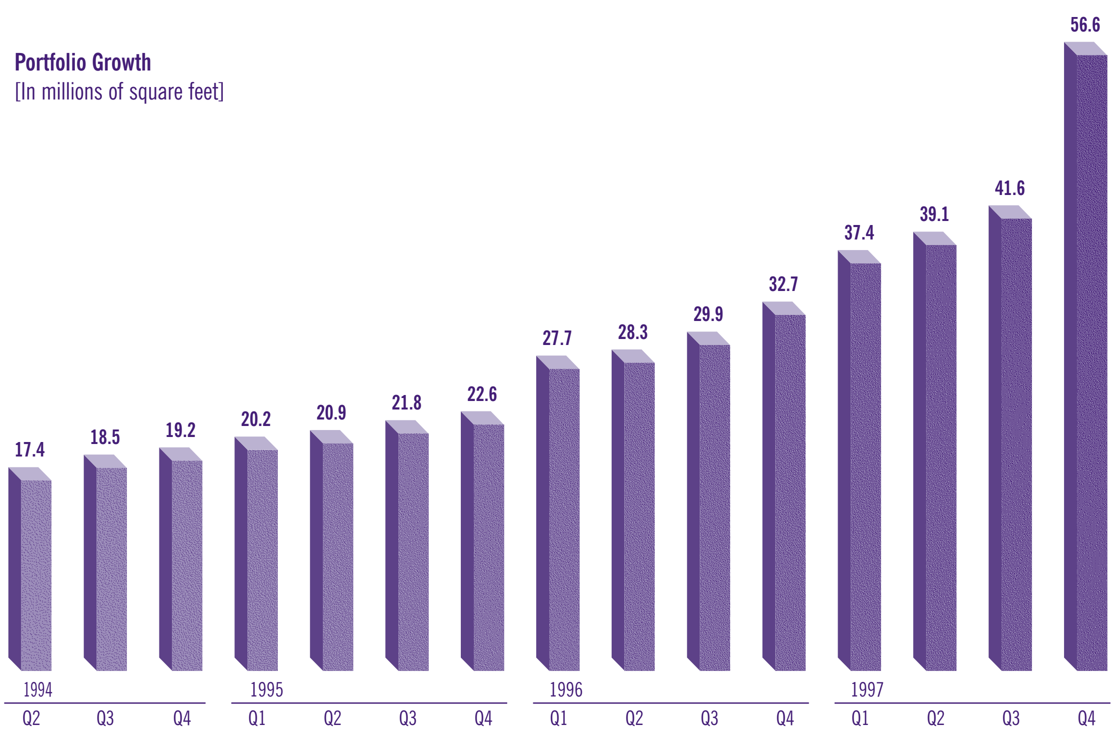
Our opportunities are many and our aim is true. We seek to consolidate the market as the premier owner and operator of industrial real estate.

The industrial real estate market began vigorous consolidation in 1997. We fully expect this consolidation to continue for the foreseeable future. Our goal in this period is to place First Industrial in the leadership position among all REIT owners of industrial portfolios. We are committed to industrial real estate because of its stability, historically higher occupancy rates and diverse range of property types, which all lower investment risk. Our strategy to acquire and operate a broad range of industrial properties – from large bulk warehouses to smaller light industrial, manufacturing and flex space – means that we can own and operate the property types that are most successful in each market. The potential for further growth is enormous. Although estimates of the total industrial market vary, we believe there are approximately 20 billion square feet of industrial property in the United States. The market share of REITs owning industrial real estate is estimated to be only about 2% of domestic supply, thus offering us a healthy supply of untapped opportunity. In addition, we believe there are uncounted billions more square feet of industrial property in markets worldwide. As knowledge of and interest in UPREIT transactions has grown, increasing numbers of private property owners have looked for publicly-traded partners for future growth. With the availability of the UPREIT structure as an invaluable tool, First Industrial actively reviews these potential investments nationwide. In 1997, our efforts more than tripled our 1996 investment levels while entering nine new markets. We believe that we must act, ahead of competition, to establish a strong, profitable national portfolio with desirable characteristics and the potential for long-term growth. Our intention is to accelerate the acquisition and development pace again in 1998. To accomplish this, we will pursue opportunities as aggressively as we can, while maintaining our stringent investment criteria. At the same time, we will match this pace with professional staffing infrastructure to maintain our superior customer service. All of our efforts translate, we believe, into increased value for our shareholders.

during 1997 First Industrial's world expanded substantially

through internal growth, acquisition and development activities. Corporate and regional staffs grew in response to an aggressive push to expand in new and existing markets while maintaining high levels of customer service. Occupancy rates across the entire portfolio remained robust at 96%. Of all leases up for renewal, the Company retained 79% representing 6.5 million square feet. This successful tenant retention rate is one of the highest in the industry.

Occupancy rates remained robust, with one of the highest tenant retention rates in the industry.



ACQUISITIONS

First Industrial completed 47 acquisition transactions during the year, investing a total of $862 million. Seven of these transactions used the UPREIT structure. Pursuing its national consolidation strategy, the Company added properties in nine new markets, bringing its total to 24 markets, 2,559 customers, 769 buildings and 56.6 million square feet.

First Industrial completed 47 acquisition transactions during the year, investing a total of $862 million.

First Industrial's acquisition strategy focuses on geographic expansion, creation of larger market share in existing markets and sub-markets, maintenance of a diverse base of property types and rapid creation of a significant national presence. An important intent of this strategy is to create a company that offers customers and potential customers a broad mix of services and capabilities nationwide. This will create economies of scale and provide First Industrial's corporate tenant base a unique combination of services tailored to meet their needs.

Acquisition Highlights

SALT LAKE CITY

First Industrial entered the Salt Lake City market with the acquisition of a $23 million portfolio of 36 properties totaling 498,000 square feet from Equitable Life Assurance Society. From this base, the Company plans to expand in the rapidly growing area under the management of the Denver regional office.

PHOENIX

Entry into the Phoenix market was achieved with the acquisition of a six property, 621,000 square foot industrial portfolio from Opus Estates, L.L.C. and Opus West Corp. for $45 million. This transaction provides First Industrial with a solid base from which to expand in Phoenix, now the nation's 18th largest metropolitan area.

CHICAGO

In Chicago's first UPREIT transaction, First Industrial acquired from Concord Development Corporation four properties comprising almost one million square feet for $19 million. Close to Midway Airport, the properties are located in a desirable sub-market with an historically high occupancy rate. Four additional individual purchases in suburban Chicago added 676,000 square feet to First Industrial's portfolio at a cost of $18 million.

NASHVILLE

With the $18 million acquisition of an eight building, 480,000 square foot portfolio, First Industrial became one of the largest industrial owner/operators in Nashville, a market that is a key component of the company's southeastern consolidation strategy.

ACQUISITIONS

First Industrial typically enters new markets through the acquisition of full-service real estate operations. Entity acquisitions permit the Company to immediately achieve critical mass with a large portfolio and to retain the local market knowledge of an experienced management group. In this way, the Company maintains continuity with its tenants and a base of expertise for expansion.

First Industrial acquired five real estate entities in 1997, all of them through UPREIT transactions. In each case, existing management was retained.

Entity acquisitions permit the Company to immediately achieve critical mass and to retain local market knowledge.

Entity Acquisitions

LAZARUS BURMAN ASSOCIATES

In one of the largest industrial REIT acquisitions on the East Coast, First Industrial entered the northeastern United States with the $139 million acquisition of a 39 property, 2.7 million square foot industrial portfolio from Lazarus Burman. The acquisition established a new region for First Industrial in New Jersey and Long Island. Jan A. Burman, with two decades of experience in Long Island industrial property, was named a senior regional director. Jeffrey M. Cohen became regional director.

PUNIA ORGANIZATION

First Industrial's presence in New Jersey was further strengthened with the $105 million acquisition of a 48 property, 1.75 million square foot portfolio from the Punia organization. With this acquisition, First Industrial became one of the largest REIT owner/operators of industrial real estate in the greater New York and New Jersey regions. Jeffrey M. Punia and Hayden H. Tiger were named regional directors.

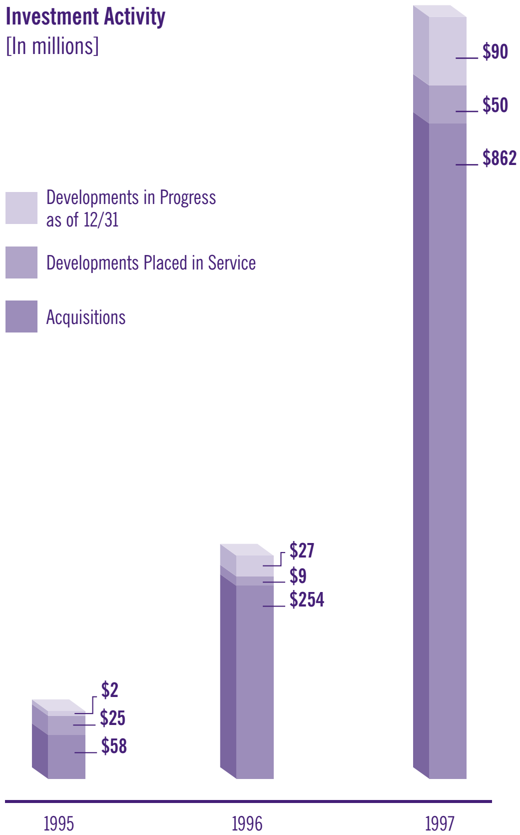
PACIFICA HOLDING COMPANY

Major expansion into the western United States was achieved with the $200 million acquisition of 106 properties from Pacifica Holding Company of Denver. The 4.2 million square foot portfolio establishes First Industrial as the largest industrial owner/operator in the strong and growing Denver market. Timothy E. Gudim was named regional director.

OPERATIONS REVIEW AND BUSINESS HIGHLIGHTS

The balance of investment for the year represented individual acquisitions in existing markets plus expansion into two new markets, Phoenix and Salt Lake City, through multiple-property portfolio transactions.

These acquisitions contributed to the transformation of First Industrial from a regional operator into a national leader in industrial properties.



First Industrial has transformed from a regional operator into a national leader in industrial properties.

THOMPSON-KIRK PROPERTIES

First Industrial entered the Tampa market with a significant presence through the $51 million acquisition of a 29 property, 964,270 square foot portfolio from Thompson-Kirk Properties. Tampa Bay is the state's second-largest metropolitan area. This new market will serve as the base for First Industrial's expansion along the Interstate 4 corridor linking Tampa and Orlando. Donald C. Thompson was named senior regional director. Ross E. Kirk was named regional director.

SEALY AND COMPANY

The 66 property, 4.7 million square foot industrial portfolio of Sealy and Company, with facilities in Dallas, Houston and Greater New Orleans, was acquired for $138 million. Sealy and Company was one of the largest full-service owners and operators of industrial property in the region. Scott P. Sealy Sr., president and the third generation of his family to operate the company, was retained as senior regional director for First Industrial. Robert G. Heck, F. Wade Haughton and Daniel P. Poulin were named regional directors.

OPERATIONS

Aggressive management of customer relationships is a primary responsibility of First Industrial's regional offices. Standard operating procedures include a calendar of regularly scheduled meetings with tenants to determine how well facilities are performing and whether changes in the customer's business patterns may lead to the need for additional space or different types of properties.

Because we have a broad industrial product base, we can help tenants move into buildings that exactly fit their requirements.

For example, First Industrial's continually updated knowledge of local real estate conditions, regular client contacts and diverse property base made possible a complex three-customer transaction in Detroit that was of tremendous benefit to each party. The chain of events began when Wolpac, Inc., determined that it no longer needed 89,000 square feet of leased space at a First Industrial property. At the same time, another First Industrial customer, Gonzalez Design Engineering, was leasing 56,000 square feet but needed more. And a third company familiar to First Industrial, Turtech, Inc., had outgrown its building and was considering alternatives.

Working with all three customers and their brokers, First Industrial released Wolpac from the remaining seven years of its lease, moved Gonzalez into the former Wolpac building and, with Gonzalez's agreement, helped Turtech move its office into available Gonzalez space even before that company had fully vacated the facility.

Detroit's Senior Regional Director David P. Draft says, "Because we have such a broad base of products, we can help tenants move into buildings that exactly fit their requirements, often with little or no down time. We frequently meet with our customers

and provide them with a written report about how we can continue to meet their needs."

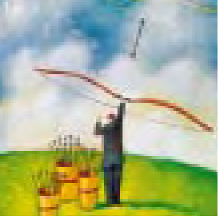
Adds Duane H. Lund, senior regional director in Minneapolis, "We believe our approach to customer service permits us to get to know the customer and understand their business, anticipate their needs and respond quickly. We take a very proactive management stance."

Largely because of efforts such as these, First Industrial typically maintains occupancy rates above market averages. In 1997, customer retention rates remained high and competitive rent increases were the rule market-by-market.

First Industrial launched a company-wide staff training program in 1997. Courses are offered in a wide range of industrial real estate skills, with the intent of standardizing best practices and developing new management from within the ranks of experienced First Industrial personnel.

Our approach to customer service permits us to get to know the customer and understand their business, anticipate their needs and respond quickly.

To maximize the benefits of its size and growing national presence, the Company created a new division, First Services, in early 1998. First Services will identify additional property-level revenue sources such as antennas, billboards, recycling and drop boxes. First Services will also seek to create efficiencies through the consolidation of the purchase of goods and services and reductions in the number of First Industrial suppliers, which will lower related administrative expense.



DEVELOPMENT

During its first full year in operation, First Industrial Development Services predominantly pursued a build-to-suit strategy to service the demands of a growing customer base. The Company's development capability strengthens relationships with larger long-term corporate customers and gives First Industrial the ability to respond to customer needs in any part of the country.

To enhance service levels, the Company established a national marketing operation within the development group to promote First Industrial's development capabilities.

First Industrial Development Services predominantly pursues a build-to-suit strategy to service the growing customer base.

Twelve new buildings and expansions totaling 1.7 million square feet in seven markets were placed in service with 100% occupancy during 1997. The combined investment represented $50 million, up from $13 million in 1996. Construction began on 12 more developments, representing an estimated $90 million investment that will add another 2.5 million square feet of new space to the portfolio. The developments are expected to be placed in service in 1998. Most of these developments are build-to-suit projects for specific customers; the balance are inventory properties in markets where demand outpaces supply.

Development Highlights

BEST BUY STORES • McKESSON CORPORATION AIRBORNE EXPRESS CORPORATION

Two build-to-suit projects were completed in the Detroit area, including a 128,000 square foot warehouse and distribution facility for Best Buy Stores, and a 143,000 square foot warehouse and distribution center for McKesson Corporation. A third project, a 78,000 square foot distribution center for Airborne Express Corporation, will be placed in service in 1998. The three developments complete First Industrial's 26-acre Livonia Business Center.

GOLDEN BOOKS FAMILY ENTERTAINMENT, INC.

First Industrial began construction of a 466,000 square foot, state-of-the-art printing facility for Golden Books Family Entertainment, Inc. near Milwaukee, Wisconsin. The project is to be placed in service in 1998 and illustrates the Company's ability to build manufacturing facilities that cater to specific customer needs.

STITCH-TEC

First Industrial completed a 178,000 square foot distribution center in St. Louis for Stitch-Tec, a public warehouser of beverage containers. The facility permits Stitch-Tec to consolidate operations and was built on land previously acquired by First Industrial located in a tax-advantaged enterprise zone.

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Selected Financial and Operating Data

[In thousands, except per share, ratio and property data]

	The Company					Contributing Businesses Historical	
	Historical Year Ended 12/31/97	Historical Year Ended 12/31/96	Historical Year Ended 12/31/95	Pro Forma Year Ended 12/31/94	Historical Six Months Ended 12/31/94	Six Months Ended 6/30/94	Year Ended 12/31/93
STATEMENTS OF OPERATIONS DATA:							
Total Revenues	$ 223,203	$ 140,055	$ 106,486	$ 87,923	$ 46,570	$ 22,816	$ 33,237
Property Expenses	59,762	39,224	28,302	22,714	11,853	6,036	8,832
General & Administrative Expense	6,248	4,018	3,135	2,310	1,097	795	1,416
Interest Expense	49,859	28,954	28,591	19,528	10,588	11,773	18,187
Amortization of Interest Rate Protection Agreements and Deferred Financing Cost	2,812	3,286	4,438	6,113	2,904	858	997
Depreciation and Other Amortization	39,573	28,049	22,264	19,189	9,802	4,744	7,105
Gain (Loss) from Disposition of Interest Rate Protection Agreements [A]	1,430	○	[6,410]	○	○	○	○
Management and Construction Income (Loss), Net	○	○	○	○	○	[81]	[99]
Gain on Sales of Properties	5,003	4,344	○	○	○	○	○
Minority Interest	5,312	2,931	997	1,405	778	○	○
Income (Loss) Before Extraordinary Items	66,070	37,937	12,349	16,664	9,548	[1,471]	[3,399]
Extraordinary Loss [B]	14,124	2,273	○	○	○	1,449	○
Net Income (Loss)	$ 51,946	$ 35,664	$ 12,349	$ 16,664	$ 9,548	$ [2,920]	$ [3,399]
Preferred Stock Dividends	[11,856]	[3,919]	[468]	○	○		
Net Income Available to Common Stockholders	$ 40,090	$ 31,745	$ 11,881	$ 16,664	$ 9,548		
Net Income Available to Common Stockholders Before Extraordinary Loss Per Share [Basic]	$ 1.72	$ 1.37	$ .63	$ .92	$ .51		
Net Income Available to Common Stockholders Before Extraordinary Loss Per Share (Diluted)	$ 1.70	$ 1.37	$ .63	$ .92	$ .51		
Net Income Available to Common Stockholders Per Share (Basic)	$ 1.27	$ 1.28	$ .63	$ .92	$ .51		
Net Income Available to Common Stockholders Per Share (Diluted)	$ 1.26	$ 1.28	$ .63	$ .92	$ .51		
Distributions Per Share	$ 2.045	$ 1.9675	$ 1.905		$ .945		
Weighted Average Number of Common Shares Outstanding (Basic)	31,508	24,756	18,889	18,182	18,881		
Weighted Average Number of Common Shares Outstanding (Diluted)	31,814	24,842	18,889	18,182	18,881		
BALANCE SHEET DATA (END OF PERIOD):							
Real Estate, Before Accumulated Depreciation	$1,994,346	$1,050,779	$ 757,516		$ 669,608	$ 597,504	$ 209,177
Real Estate, After Accumulated Depreciation	1,873,316	959,322	688,767		620,294	556,902	171,162
Total Assets	2,272,163	1,022,600	753,904		691,081	616,767	189,789
Mortgage Loans, Acquisition Facilities Payable, Senior Unsecured Debt, Construction Loans and Promissory Notes Payable	879,592	406,401	399,958		348,700	305,000	179,568
Mortgage Loans (affiliated)	○	○	○		○	○	7,624
Defeased Mortgage Loan Payable	300,000	○	○		○	○	○
Total Liabilities	1,266,079	447,178	426,972		374,849	323,703	227,553
Stockholders' Equity/(Net Deficit)	854,590	532,561	306,023		292,420	269,326	[37,764]
OTHER DATA:							
Cash Flows From Operating Activities	$ 102,635	$ 62,621	$ 38,541		$ 18,033	$ 5,026	$ 8,700
Cash Flows From Investing Activities	[805,505]	[240,571]	[84,159]		[73,840]	[374,757]	[17,124]
Cash Flows From Financing Activities	708,446	176,677	45,420		57,475	374,152	9,093
Funds From Operations ("FFO") [C]	92,361	60,546	41,428		20,128	3,273	3,706
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends [D]	1.79 x	1.88 x	1.56 x		1.76 x	○ [E]	○ [E]
Total Properties [F]	769	379	271		246	226	124
Total GLA in sq.ft. [F]	56,567,706	32,700,069	22,562,755		19,169,321	17,393,813	6,376,349
Occupancy % [F]	96%	97%	97%		97%	97%	94%

Selected Financial and Operating Data

[In thousands, except per share, ratio and property data]

[A] *Gain (loss) from disposition of Interest Rate Protection Agreements.*

[B] *Upon consummation of the Initial Offering in June 1994, certain Contributing Businesses' loans were repaid and the related unamortized deferred financing fees totaling $1.5 million were written off. In 1996, the Company terminated certain revolving credit facilities. The Company recorded an extraordinary loss of $2.3 million which is comprised of a prepayment fee, the write-off of unamortized deferred financing fees, legal costs and other expenses. In 1997, the Company terminated certain mortgage loans, an unsecured loan and a revolving credit facility and obtained a commitment to pay off and retire another mortgage loan. The Company recorded an extraordinary loss of $14.1 million which is comprised of prepayment fees, the write-off of unamortized deferred financing fees, legal costs and other expenses.*

[C] *Management considers funds from operations to be one financial measure of the operating performance of an equity REIT that provides a relevant basis for comparison among REITs and it is presented to assist investors in analyzing the performance of the Company. In accordance with the National Association of Real Estate Investment Trusts' definition of funds from operations, the Company calculates funds from operations to be equal to net income, excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, excluding amortization of deferred financing costs and interest rate protection agreements, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, including the payment of dividends and distributions. Funds from operations should not be considered as a substitute for net income as a measure of results of operations or for cash flow from operating activities calculated in accordance with generally accepted accounting principles as a measure of liquidity. Funds from operations as calculated by the Company may not be comparable to similarly titled but differently calculated measures of other REITs. The following is a reconciliation of net income to funds from operations:*

[D] *For purposes of computing the ratios of earnings to fixed charges and preferred stock dividends, earnings have been calculated by adding fixed charges (excluding capitalized interest) to income (loss) before disposition of interest rate protection agreement, gain on sales of properties, minority interest and extraordinary items. Fixed charges consist of interest costs, whether expensed or capitalized, and amortization of interest rate protection agreement(s) and deferred financing costs.*

[E] *Earnings were inadequate to cover fixed charges by approximately $1.4 million and $3.4 million for the six months ended June 30, 1994 and the year ended December 31, 1993 respectively, which periods were prior to the Company's initial public offering.*

[F] *As of end of period and excludes properties under development.*

	THE COMPANY				CONTRIBUTING BUSINESSES	
	YEAR ENDED 12/31/97	YEAR ENDED 12/31/96	YEAR ENDED 12/31/95	SIX MONTHS ENDED 12/31/94	SIX MONTHS ENDED 6/30/94	YEAR ENDED 12/31/93
Net Income (Loss) Available to Common Stockholders	$ 40,090	$ 31,745	$ 11,881	$ 9,548	$ [2,920]	$ [3,399]
Adjustments:						
Depreciation and Other Amortization	39,268	27,941	22,140	9,802	4,744	7,105
Disposition of Interest Rate Protection Agreement	[1,430]	○	6,410	○	○	○
Gain on Sales of Properties	[5,003]	[4,344]	○	○	○	○
Extraordinary Items	14,124	2,273	○	○	1,449	○
Minority Interest	5,312	2,931	997	778	○	○
Funds From Operations	$ 92,361	$ 60,546	$ 41,428	$ 20,128	$ 3,273	$ 3,706

Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion should be read in conjunction with "Selected Financial and Operating Data" and the historical Consolidated Financial Statements and Notes thereto appearing elsewhere in this annual report.

Results of Operations

Comparison of Year Ended December 31, 1997 to Year Ended December 31, 1996

At December 31, 1997, the Company owned 769 in-service properties containing approximately 56.6 million square feet of GLA, compared to 379 in-service properties with approximately 32.7 million square feet of GLA at December 31, 1996. During 1997, the Company acquired 389 properties containing approximately 22.9 million square feet of GLA, completed development of ten properties and expansions of two properties totaling 1.7 million square feet of GLA and sold ten in-service properties totaling .8 million square feet of GLA, one property held for redevelopment and several land parcels.

Rental income and tenant recoveries and other income increased in 1997 over 1996 by $70.4 million or 50.2% due primarily to the properties acquired after December 31, 1995. Revenues from properties owned prior to January 1, 1996 increased in 1997 over 1996 by $2.1 million or 2.0% due primarily to increased rental rates upon renewal or replacement of tenant leases. Interest income-defeasance in 1997 represents interest income earned on U.S. Government securities and cash proceeds from such securities upon maturity that were pledged as collateral to legally defease the 1994 Defeased Mortgage Loan.

Property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses, increased in 1997 over 1996 by $20.5 million or 52.4% due primarily to properties acquired after December 31, 1995. For properties owned prior to January 1, 1996, property expenses remained relatively unchanged.

General and administrative expense increased in 1997 over 1996 by $2.2 million due primarily to the additional expenses associated with managing the Company's growing operations including additional professional fees relating to additional properties owned and personnel to manage and expand the Company's business.

Interest expense increased by $20.9 million for the year ended December 31, 1997 compared to the year ended December 31, 1996 due primarily to a higher average debt balance to fund the purchase of U.S. Government securities to legally defease the 1994 Defeased Mortgage Loan and to fund the acquisition and development of additional properties.

Depreciation and other amortization increased in 1997 over 1996 by $11.5 million due primarily to the additional depreciation and amortization related to the properties acquired and placed in service after December 31, 1995.

The $1.4 million gain on the disposition of interest rate protection agreements represents the sale of the Company's interest rate protection agreements in April 1997. The Company entered into a new interest rate protection agreement at a cost of approximately $.2 million with a notional value of $300 million which expired at the end of 1997.

The $5.0 million gain on sales of properties resulted from the sale of ten in-service properties, one property under redevelopment and several parcels of land. Gross proceeds for these property sales totaled approximately $33.7 million.

The $14.1 million extraordinary loss in 1997 represents the write-off of unamortized deferred financing costs, prepayment fees, legal fees and other costs incurred to terminate various mortgage loans, an unsecured loan and a revolving line of credit and the commitment to retire the 1994 Defeased Mortgage Loan.

Comparison of Year Ended December 31, 1996 to Year Ended December 31, 1995

At December 31, 1996, the Company owned 379 in-service properties containing approximately 32.7 million square feet of GLA, compared to 271 in-service properties with approximately 22.6 million square feet of GLA at December 31, 1995. During 1996, the Company acquired 112 properties containing approximately 10.4 million square feet of GLA, completed development of two properties totaling .2 million square feet of GLA and sold six properties totaling .4 million square feet of GLA.

Rental income and tenant recoveries and other income increased in 1996 over 1995 by $33.6 million or 31.5% due primarily to the properties acquired after December 31, 1994. Revenues from properties owned prior to January 1, 1995 increased in 1996 over 1995 by $3.2 million or 3.3% due primarily to increased rental rates upon renewal or replacement of tenant leases and additional amounts charged to tenants for additional property expenses incurred in 1996.

Property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses, increased in 1996 over 1995 by $10.9 million or 38.6% due primarily to properties acquired after December 31, 1994. For properties owned prior to January 1, 1995, property expenses increased in 1996 over 1995 by $1.2 million or 4.8% due to additional snow removal expenses incurred in the Minneapolis and Harrisburg metropolitan areas, additional repair and maintenance expenses incurred in the Chicago metropolitan area and increased real estate taxes in the majority of the Company's geographical markets.

General and administrative expense increased in 1996 over 1995 by $.9 million due primarily to the additional expenses associated with managing the Company's growing operations, including additional professional fees relating to additional properties owned and personnel to manage and expand the Company's business.

Interest expense increased by $.4 million for the year ended December 31, 1996 compared to the year ended December 31, 1995 due primarily to a higher average outstanding debt balance to fund the acquisition of additional properties, however, the resulting impact on interest expense was partially offset by lower interest rates in 1996 on the Company's $150 million secured revolving line of credit.

Depreciation and amortization increased in 1996 over 1995 by $5.8 million due primarily to the additional depreciation and amortization related to the properties acquired after December 31, 1994.

The $6.4 million loss from disposition of interest rate protection agreement in 1995 resulted from the replacement of the Company's interest rate protection agreement entered into in connection with the 1994 Mortgage Loan with new interest rate protection agreements. Approximately $6.3 million of the loss is a non-cash loss, representing the difference between the unamortized cost of the replaced interest rate protection agreement and the cost of the new interest rate agreements.

The $4.3 million gain on sales of properties in 1996 resulted from the sale of six properties. Gross proceeds for these property sales totaled approximately $15.0 million.

The $2.3 million extraordinary loss in 1996 represents the write-off of unamortized deferred financing costs, a prepayment fee, legal fees and other costs that were incurred to terminate various mortgage loans and various revolving lines of credit.

Liquidity and Capital Resources

At December 31, 1997, the Company's unrestricted cash and cash equivalents totaled $13.2 million and restricted cash totaled $313.1 million. Included in restricted cash are $3.9 million of cash reserves required to be set aside under the 1995 Mortgage Loan for payments of security deposit refunds, tenant improvements, capital expenditures, interest, real estate taxes and insurance. The portion of cash reserves relating to security deposit refunds is adjusted as tenants turn over. The portion of cash reserves relating to payments for tenant improvements, capital expenditures, interest, real estate taxes and insurance is established monthly, distributed to the Company as such expenditures are made and is replenished to a level adequate to make the next periodic payment of such expenditures. Also included in restricted cash are $306.0 million of reserves that were used to defease the Company's $300.0 million mortgage loan (the "1994 Defeased Mortgage Loan"). On January 2, 1998, $306.0 million of this cash reserve was used to pay off and retire the 1994 Defeased Mortgage Loan and to fund a $6.0 million prepayment fee. The remaining $3.2 million of reserves was returned to the Company in January 1998.

Net cash provided by operating activities was $102.6 million for the year ended December 31, 1997 compared to $62.6 million for the year ended December 31, 1996 and $38.5 million for the year ended December 31, 1995. The increases are primarily due to increased net operating income (which is defined as total revenues less property related expenses) as discussed in the "Results of Operations" above.

Net cash used in investing activities was $805.5 million for the year ended December 31, 1997 compared to $240.6 million for the year ended December 31, 1996 and $84.2 million for the year ended December 31, 1995. The majority of the cash used in investing activities was for the acquisition of new properties offset by proceeds from the sales of real estate.

Net cash provided by financing activities for the year ended December 31, 1997 increased to $708.5 million from $176.7 million for the year ended December 31, 1996, reflecting the issuance of 6.0 million shares of common stock, 6.0 million depository shares representing .06 million shares of preferred stock and $650.0 million of senior unsecured debt offset, in part, by increased distributions to the common stockholders and First Industrial L.P. unitholders (the "Unitholders") and dividends to the preferred stockholders due to the issuance of additional preferred stock. Net cash provided by financing activities for the year ended December 31, 1996 was $176.7 million, compared to $45.4 million for the year ended December 31, 1995, reflecting the issuance of 10.9 million shares of common stock offset in part by increased distributions to the common stockholders and Unitholders, dividends to the preferred stockholders and a net pay down on the Company's $150.0 million revolving line of credit.

Funds from operations increased by $31.8 million or 52.6% in 1997 compared to 1996 and increased by $19.1 million or 46.2% in 1996 compared to 1995 as a result of the factors discussed in the analysis of operating results above. Management considers funds from operations to be one financial measure of the operating performance of an equity REIT that provides a relevant basis for comparison among REITs and it is presented to assist investors in analyzing the performance of the Company. In accordance with the National Association of Real Estate Investment Trusts' definition of funds from operations, the Company calculates funds from operations to be equal to net income, excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, excluding amortization of deferred financing costs and interest rate protection agreements, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, including the payment of dividends and distributions. Funds from operations should not be considered as a substitute for net income as a measure of results of operations or for cash flow from operating activities (calculated in accordance with generally accepted accounting principles) as a measure of liquidity. Funds from operations as calculated by the Company may not be comparable to similarly titled but differently calculated measures of other REITs.

Management's Discussion and Analysis of Financial Condition and Results of Operation

The ratio of earnings to fixed charges and preferred stock dividends was 1.79 for the year ended December 31, 1997 compared to 1.88 for the year ended December 31, 1996 and 1.56 for the year ended December 31, 1995. The decrease in the earnings to fixed charges and preferred stock dividends between fiscal years 1997 and 1996 is primarily due to additional interest expense and preferred stock dividends incurred in fiscal year 1997 from additional debt and preferred stock issued to fund property acquisitions and to legally defease the 1994 Mortgage Loan, which is partially offset by higher net operating income from the property acquisitions as discussed in "Results of Operations" above. The increase in the earnings to fixed charges and preferred stock dividends between fiscal year 1996 and 1995 is primarily due to increased net operating income as discussed in "Results of Operations" above.

In 1997, the Company acquired 389 industrial properties comprising approximately 22.9 million square feet of GLA for a total purchase price of approximately $862.4 million, completed the development of ten properties and expansions of two properties comprising approximately 1.7 million square feet of GLA at a cost of approximately $50.2 million and sold ten in-service properties comprising approximately .8 million square feet of GLA, one property held for redevelopment and several land parcels for gross proceeds of $33.7 million.

The Company has committed to the construction of 12 industrial properties with an estimated completion GLA of approximately 2.5 million square feet. The estimated total construction costs are approximately $90.4 million. These developments are expected to be funded with cash flow from operations, as well as borrowings under the 1997 Unsecured Acquisition Facility.

In 1997, the Company and the Operating Partnership paid a quarterly distribution of $.505 per share/Unit related to each of the first, second and third quarters. In addition, the Company and Operating Partnership paid a fourth quarter 1997 distribution of $.53 per share/Unit on January 20, 1998. The total distributions paid to the Company's stockholders and the Operating Partnership's limited partners related to 1997 totaled $73.8 million.

In 1997, the Company paid a quarterly preferred dividend of $.59375 per share on its Series A Cumulative Preferred Stock related to each of the first, second, third and fourth quarters. The total preferred dividends paid to the Company's Series A Cumulative Preferred Stock stockholders related to 1997 totaled $3.9 million.

In 1997, the Company paid a period prorated preferred dividend of $27.95 per share (equivalent to $.2795 per Depositary Share) on its Series B Cumulative Preferred Stock related to the second quarter and a $54.688 per share (equivalent to $.54688 per Depositary Share) for each of the third and fourth quarters. The total preferred dividends paid to the Company's Series B Cumulative Preferred Stock stockholders related to 1997 totaled $5.5 million.

In 1997, the Company paid a period prorated preferred dividend of $68.123 per share (equivalent to $.68123 per Depositary Share) on its Series C Cumulative Preferred Stock related to each of the second and third quarters and $53.906 per share (equivalent to $.53906 per Depositary Share) for the fourth quarter. The total preferred dividends paid to the Company's Series C Cumulative Preferred Stock stockholders related to 1997 totaled $2.4 million.

In conjunction with an acquisition of a portfolio of properties on January 31, 1997, the Company, through the Operating Partnership, assumed two mortgage loans in the amount of $3.8 million (the "LB Mortgage Loan I") and $.7 million (the "LB Mortgage Loan II"). The LB Mortgage Loan I, which was collateralized by a property located in Long Island, New York and provided for interest only payments prior to its maturity date of July 11, 1998, was paid off and retired by the Company on December 19, 1997. The LB Mortgage Loan II, which is collateralized by a property located in Long Island, New York, is interest free until February, 1998, at which time the LB Mortgage Loan II bears interest at 8.00% and provides for interest only payments prior to maturity. The LB Mortgage Loan II matures 180 days after the completion of a contingent event relating to the environmental status of the property collateralizing the loan.

In conjunction with the acquisition of a portfolio of properties on October 23, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $4.2 million (the "Acquisition Mortgage Loan I"). The Acquisition Mortgage Loan I is collateralized by a property in Bensenville, Illinois, bears interest at a fixed rate of 8.50% and provides for monthly principal and interest payments based on a 15-year amortization schedule. The Acquisition Mortgage Loan I matures on August 1, 2008. The Acquisition Mortgage Loan I may be prepaid after July 15, 1998 in exchange for a prepayment fee.

In conjunction with the acquisition of a portfolio of properties on December 9, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $8.0 million (the "Acquisition Mortgage Loan II"). The Acquisition Mortgage Loan II is collateralized by ten properties in St. Charles, Louisiana, bears interest at a fixed rate of 7.75% and provides for monthly principal and interest payments based on a 22-year amortization schedule. The Acquisition Mortgage Loan II matures April 1, 2006. The Acquisition Mortgage Loan II may be prepaid only after April 9, 1999 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

In conjunction with the acquisition of a portfolio of properties on December 23, 1997, the Company, through the Operating Partnership, assumed a Mortgage Loan in the amount of $3.6 million (the "Acquisition Mortgage Loan III"). The Acquisition Mortgage Loan III is collateralized by two properties in Houston, Texas, bears interest at a fixed interest rate of 8.875% and provides for monthly principal and interest payments based on a 20-year amortization schedule. The Acquisition Mortgage Loan III matures on June 1, 2003. The Acquisition Mortgage Loan III may be prepaid only after June 30, 1998 in exchange for the greater of a 2% prepayment fee or a yield maintenance premium.

On April 4, 1997, the Company, through the Operating Partnership, entered into a $309.8 million unsecured loan (the "Defeasance Loan"). The Defeasance Loan bore interest at LIBOR plus 1% and had a scheduled maturity of July 1, 1999. The gross proceeds from the Defeasance Loan were used to purchased U.S. Government Securities as substitute collateral to execute a legal defeasance of the 1994 Mortgage Loan (the "1994 Defeased Mortgage Loan"). The Defeasance Loan was paid off and retired in May 1997.

On May 13, 1997, the Company, through the Operating Partnership, issued $150.0 million of senior unsecured debt which matures on May 15, 2007 and bears a coupon interest rate of 7.60% (the "2007 Notes"). The issue price of the 2007 Notes was 99.965%. Interest is paid semi-annually in arrears on May 15 and November 15. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2007 Notes prior to issuance. The debt issue discount and the settlement cost of the interest rate protection agreement are being amortized over the life of the 2007 Notes as an adjustment to the interest expense. The 2007 Notes contain certain covenants, including limitation on incurrence of debt and debt service coverage.

On May 13, 1997, the Company, through the Operating Partnership, issued $100.0 million of senior unsecured debt which matures on May 15, 2027, and bears a coupon interest rate of 7.15% (the "2027 Notes"). The issue price of the 2027 Notes was 99.854%. The 2027 Notes are redeemable, at the option of the holders thereof, on May 15, 2002. Interest is paid semi-annually in arrears on May 15 and November 15. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2027 Notes prior to issuance. The debt issue discount and the settlement cost of the interest rate protection agreement are being amortized over the life of the 2027 Notes as an adjustment to interest expense. The 2027 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On May 22, 1997, the Company, through the Operating Partnership, issued $100.0 million of senior unsecured debt which matures on May 15, 2011 and bears a coupon interest rate of 7.375% (the "2011 Notes"). The issue price of the 2011 Notes was 99.348%. Interest is paid semi-annually in arrears on May 15 and November 15. The 2011 Notes are redeemable, at the option of the holder thereof, on May 15, 2004 (the "Put Option"). The Company received approximately $1.8 million of proceeds from the holder of the 2011 Notes as consideration for the Put Option. The Company will amortize the Put Option proceeds over the life of the Put Option as an adjustment to interest expense. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2011 Notes prior to issuance. The debt issue discount and the proceeds from the settlement of the interest rate protection agreement are being amortized over the life of the 2011 Notes as an adjustment to interest expense. The 2011 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On November 20, 1997, the Company, through the Operating Partnership, issued $50.0 million of senior unsecured debt which matures on November 21, 2005 and bears a coupon interest rate of 6.90% (the "2005 Notes"). The issue price of the 2005 Notes was 100%. Interest is paid semi-annually in arrears on May 21 and November 21. The 2005 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On November 24, 1997, the Company, through the Operating Partnership, entered into a $25.0 million unsecured loan (the "November 1997 Unsecured Loan"). The November 1997 Unsecured Loan bore interest at LIBOR plus .8% and had a scheduled maturity date of December 31, 1997. The November 1997 Unsecured Loan was paid off and retired on December 5, 1997.

On December 8, 1997, the Company, through the Operating Partnership, issued $150.0 million of senior unsecured debt which matures on December 1, 2006 and bears a coupon interest rate of 7.0% (the "2006 Notes"). The issue price of the 2006 Notes was 100%. Interest is paid semi-annually in arrears on June 1 and December 1. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2006 Notes prior to issuance. The settlement cost of the interest rate protection agreement is being amortized over the life of the 2006 Notes as an adjustment to interest expense. The 2006 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On December 8, 1997, the Company, through the Operating Partnership, issued $100.0 million of unsecured debt which matures on December 1, 2017 and bears a coupon interest rate of 7.5% (the "2017 Notes"). The issue price of the 2017 Notes was 99.808%. Interest is paid semi-annually in arrears on June 1 and December 1. The Operating Partnership will amortize the debt issue discount over the life of the 2017 Notes as an adjustment to interest expense. The 2017 Notes may be redeemed at any time at the option of the Company, in whole or in part, at a redemption price equal to the sum of the principal amount of the 2017 Notes being redeemed plus accrued interest thereon to the redemption date and any make-whole amount, as defined in the Prospectus Supplement relating to the 2017 Notes.

In December 1997, the Operating Partnership terminated the 1996 Unsecured Acquisition Facility and entered into a $300 million unsecured revolving credit facility (the "1997 Unsecured Acquisition Facility") which initially bears interest at LIBOR plus .8% or a "Corporate Base Rate" and provides for interest only payments until maturity. The Operating Partnership may borrow under the facility to finance the acquisition of additional properties and for other corporate purposes, including to obtain additional working capital. The 1997 Unsecured Acquisition Facility contains certain financial covenants relating to debt service coverage, market value net worth, dividend payout ratio and total funded indebtedness.

On September 16, 1997, the Company issued 637,440 shares of $.01 par value Common Stock (the "September 1997 Equity Offering"). The price per share in the September 1997 Equity Offering was $31.38, resulting in gross offering proceeds of $20.0 million. Proceeds to the Company, net of underwriters' discount and total offering expenses, were approximately $18.9 million.

On October 15, 1997, the Company issued 5,400,000 shares of $.01 par value Common Stock (the "October 1997 Equity Offering"). The price per share was $33.40 resulting in gross offering proceeds of $180.4 million. Proceeds to the Company, net of underwritings' discount and the total offering expenses, were approximately $176.6 million.

On May 14, 1997, the Company issued 4,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 3/4%, $.01 par value, Series B Cumulative Preferred Stock (the "Series B Preferred Stock"), at an initial offering price of $25 per

Depositary Share. Dividends on the Series B Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series B Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock and Series C Preferred Stock (hereinafter defined); however, the Series A Preferred Stock has the benefit of a guarantee by First Industrial Securities, L.P. The Series B Preferred Stock is not redeemable prior to May 14, 2002. On or after May 14, 2002, the Series B Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $100.0 million in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series B Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On June 6, 1997, the Company issued 2,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 5/8%, $.01 par value, Series C Cumulative Preferred Stock (the "Series C Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series C Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series C Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock and Series B Preferred Stock; however, the Series A Preferred Stock has the benefit of a guarantee by First Industrial Securities, L.P. The Series C Preferred Stock is not redeemable prior to June 6, 2007. On or after June 6, 2007, the Series C Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $50.0 million in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series C Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On September 4, 1997, the Board of Directors of the Company declared a dividend distribution of one Preferred Share Purchase Right ("Right") for each outstanding share of common stock, par value $.01 per share, of the Company (the "Common Stock"). The dividend distribution was made on October 20, 1997 to stockholders of record as of the close of business on October 19, 1997. In addition, a Right will attach to each share of Common Stock issued in the future. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Junior Participating Preferred Stock (the "Junior Preferred Stock"), at a price of $125 per one one-hundredth of a share (the "Purchase Price"), subject to adjustment. The Rights become exercisable only if a person or group of affiliated or associated persons (an "Acquiring Person") acquires, or obtains the right to acquire, beneficial ownership of Common Stock or other voting securities ("Voting Stock") that have 15% or more of the voting power of the outstanding shares of Voting Stock, or if an Acquiring Person commences or makes an announcement of an intention to commence a tender offer or exchange offer to acquire beneficial ownership of Voting Stock that have 15% or more of the voting power of the outstanding shares of Voting Stock. The Rights will expire on October 19, 2007, unless redeemed earlier by the Company at $.001 per Right, or exchanged by the Company at an exchange ratio of one share of Common Stock per Right.

In the event that a person becomes an Acquiring Person, each holder of a Right, other than the Acquiring Person, is entitled to receive, upon exercise, (1) Common Stock having a value equal to two times the Purchase Price of the Right or (2) common stock of the acquiring company having a value equal to two times the Purchase Price of the Right.

The Junior Preferred Stock ranks junior to all other series of the Company's preferred stock with respect to payment of dividends and as to distributions of assets in liquidation. Each share of Junior Preferred Stock has a quarterly dividend rate per share equal to the greater of $1.00 or 100 times the per share amount of any dividend (other than a dividend payable in shares of Common Stock or a subdivision of the Common Stock) declared on the Common Stock, subject to certain adjustments. In the event of liquidation, the holder of the Junior Preferred Stock is entitled to receive a preferred liquidation payment per share of $1.00 (plus accrued and unpaid dividends) or, if greater, an amount equal to 100 times the payment to be made per share of Common Stock, subject to certain adjustments.

On February 4, 1998, the Company issued 5,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 7.95%, $.01 par value, Series D Cumulative Preferred Stock (the "Series D Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series D Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series D Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock; however, the Series A Preferred Stock has the benefit of a guarantee by First Industrial Securities, L.P. The Series D Preferred Stock is not redeemable prior to February 4, 2003. On or after February 4, 2003, the Series D Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $125.0 million in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series D Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On March 18, 1998, the Company issued 3,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 7.90%, $.01 par value, Series E Cumulative Preferred Stock (the "Series E Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series E Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series E Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock; however, the Series A Preferred Stock has the benefit of a guarantee by First Industrial Securities, L.P. The Series E Preferred Stock is not redeemable prior to

March 18, 2003. On or after March 18, 2003, the Series E Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $75.0 million in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series E Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

In March 1998, the Company declared a first quarter dividend of $.53 per share on its common stock which is payable on April 20, 1998. The Company also declared a first quarter dividend of $.59375 per share, $54.688 per share ($.54688 per depositary share), $53.906 per share ($.53906 per depositary share) and a partial period dividend of $30.365 per share ($.30365 per depositary share) on its Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, respectively, which is payable on March 31, 1998.

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flow from operations and other expected liquidity sources to meet these needs. The Company believes that its principal short-term liquidity needs are to fund normal recurring expenses, debt service requirements and the minimum distribution required to maintain the Company's REIT qualification under the Internal Revenue Code. The Company anticipates that these needs will be met with cash flows provided by operating activities.

The Company expects to meet long-term (greater than one year) liquidity requirements such as property acquisitions, scheduled debt maturities, major renovations, expansions and other non-recurring capital improvements through long-term unsecured indebtedness and the issuance of additional equity securities. On January 27, 1998, the Company registered under the Securities Act of 1933, as amended (the "Securities Act"), approximately $789.2 million of common stock, preferred stock and depository shares and $400.0 million of debt securities. As of March 18, 1998, $589.2 million of common stock, preferred stock and depositary shares and $400.0 million of debt securities remained registered under the Securities Act and were unissued. The Company may finance the acquisition or development of additional properties through borrowings under the 1997 Unsecured Acquisition Facility. At December 31, 1997, borrowings under the 1997 Unsecured Acquisition Facility bore interest at a weighted average interest rate of 6.77%. As of March 18, 1998, the Company had $229.6 million available in additional borrowings under the 1997 Unsecured Acquisition Facility. While the Company may sell properties if property or market conditions make it desirable, the Company does not expect to sell assets in the foreseeable future to satisfy its liquidity requirements.

Environmental

The Company incurred environmental costs of $.3 million and $.1 million in 1997 and 1996, respectively. The Company estimates 1998 costs of approximately $.2 million. The Company estimates that the aggregate cost which needs to be expended in 1998 and beyond with regard to currently identified environmental issues will not exceed approximately $.6 million, a substantial amount of which will be the primary responsibility of the tenant, the seller to the Company or another responsible party. This estimate was determined by a third party evaluation.

Year 2000 Concerns

The Company believes, based on discussions with its current systems' vendor, that its software applications and operational programs will properly recognize calendar dates beginning in the Year 2000. In addition, the Company is discussing with its major vendors and customers the possibility of any interface difficulties relating to the Year 2000 which may affect the Company. To date, no significant concerns have been identified; however, there can be no assurance that there will not be any Year 2000-related operating problems or expenses that will arise with the Company's computer systems and software or in connection with the Company's interface with the computer systems and software of its vendors and customers.

Other

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement, effective for fiscal years beginning after December 15, 1997, requires the Company to report components of comprehensive income in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is defined by Concepts Statement No. 6, "Elements of Financial Statements" as the change in the equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company has not yet determined its comprehensive income.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement, effective for financial statements for periods beginning after December 15, 1997, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Company has not yet determined the impact of this statement on its financial statements.

Inflation

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

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets of First Industrial Realty Trust, Inc. (the "Company") as of December 31, 1997 and 1996 and the related consolidated statements of operations, changes in stockholders' equity and cash flows of the company for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Industrial Realty Trust, Inc. as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Chicago, Illinois
February 17, 1998

Consolidated Balance Sheets

[Dollars in thousands, except per share data]

	December 31, 1997	December 31, 1996
ASSETS		
Investment in Real Estate:		
Land	$ 299,020	$ 153,390
Buildings and Improvements	1,663,731	880,924
Furniture, Fixtures and Equipment	1,437	1,662
Construction in Progress	30,158	14,803
Less: Accumulated Depreciation	[121,030]	[91,457]
Net Investment in Real Estate	1,873,316	959,322
Cash and Cash Equivalents	13,222	7,646
Restricted Cash	313,060	11,837
Tenant Accounts Receivable, Net	6,280	4,667
Deferred Rent Receivable	10,144	8,290
Interest Rate Protection Agreements, Net	○	8,376
Deferred Financing Costs, Net	8,594	7,442
Prepaid Expenses and Other Assets, Net	47,547	15,020
Total Assets	$ 2,272,163	$ 1,022,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage Loans Payable	$ 101,198	$ 392,082
Defeased Mortgage Loan Payable	300,000	○
Senior Unsecured Debt, Net	648,994	○
Acquisition Facilities Payable	129,400	4,400
Promissory Notes Payable	○	9,919
Accounts Payable and Accrued Expenses	50,373	18,374
Rents Received in Advance and Security Deposits	14,104	6,122
Dividends/Distributions Payable	22,010	16,281
Total Liabilities	1,266,079	447,178
Minority Interest	151,494	42,861
Commitments and Contingencies	○	○
Stockholders' Equity:		
Preferred Stock ($.01 par value, 10,000,000 shares authorized, 1,650,000, 40,000, and 20,000 shares of Series A, B, and C Cumulative Preferred Stock, respectively, issued and outstanding at December 31, 1997 having a liquidation preference of $25 per share ($41,250), $2,500 per share ($100,000) and $2,500 per share ($50,000), respectively, and 1,650,000 shares of Series A Cumulative Preferred Stock issued and outstanding at December 31, 1996 having a liquidation preference of $25 per share ($41,250))	17	17
Common Stock ($.01 par value, 100,000,000 shares authorized, 36,433,859 and 29,939,417 shares issued and outstanding at December 31, 1997 and 1996, respectively)	364	299
Additional Paid-in-Capital	934,622	584,009
Distributions in Excess of Accumulated Earnings	[76,996]	[51,764]
Unearned Value of Restricted Stock Grants	[3,417]	○
Total Stockholders' Equity	854,590	532,561
Total Liabilities and Stockholders' Equity	$ 2,272,163	$ 1,022,600

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

Consolidated Statements of Operations

[Dollars in thousands, except per share data]

	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
REVENUES:			
Rental Income	$ 164,389	$ 109,113	$ 83,522
Tenant Recoveries and Other Income	46,028	30,942	22,964
Interest Income – Defeasance	12,786	–	–
Total Revenues	223,203	140,055	106,486
EXPENSES:			
Real Estate Taxes	34,653	23,371	16,998
Repairs and Maintenance	8,278	5,408	3,872
Property Management	7,850	5,067	3,539
Utilities	5,801	3,582	2,060
Insurance	568	877	903
Other	2,612	919	930
General and Administrative	6,248	4,018	3,135
Interest Expense	49,859	28,954	28,591
Amortization of Interest Rate Protection Agreements and Deferred Financing Costs	2,812	3,286	4,438
Depreciation and Other Amortization	39,573	28,049	22,264
Total Expenses	158,254	103,531	86,730
Income Before Gain (Loss) on Disposition of Interest Rate Protection Agreements, Gain on Sales of Properties, Minority Interest and Extraordinary Loss	64,949	36,524	19,756
Gain (Loss) on Disposition of Interest Rate Protection Agreements	1,430	–	[6,410]
Gain on Sales of Properties	5,003	4,344	–
Income Before Minority Interest and Extraordinary Loss	71,382	40,868	13,346
Income Allocated to Minority Interest	[5,312]	[2,931]	[997]
Income Before Extraordinary Loss	66,070	37,937	12,349
Extraordinary Loss	[14,124]	[2,273]	–
Net Income	51,946	35,664	12,349
Preferred Stock Dividends	[11,856]	[3,919]	[468]
Net Income Available to Common Stockholders	$ 40,090	$ 31,745	$ 11,881
Net Income Available to Common Stockholders Before Extraordinary Loss Per Weighted Average Common Share Outstanding			
Basic	$ 1.72	$ 1.37	$ 0.63
Diluted	$ 1.70	$ 1.37	$ 0.63
Extraordinary Loss Per Weighted Average Common Share Outstanding			
Basic	$ [.45]	$ [.09]	$ –
Diluted	$ [.44]	$ [.09]	$ –
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding			
Basic	$ 1.27	$ 1.28	$ 0.63
Diluted	$ 1.26	$ 1.28	$ 0.63

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

Consolidated Statements of Changes in Stockholders' Equity

[Dollars in thousands, except per share data]

	Total	Preferred Stock	Common Stock	Add'l Paid In-Capital	Retained Earnings	Dist. In Excess of Accum. Earnings	Unearned Value of Rest. Stock Grants
Balance at December 31, 1994	**$ 292,420**	$ ◦	$ **189**	**$ 301,201**	$ ◦	**$ [8,970]**	$ ◦
Net Proceeds from Issuance of Preferred Stock	36,719	17	◦	36,702	◦	◦	◦
Preferred Stock Dividends ($.2837 per Series A Share)	[468]	◦	◦	◦	[468]	◦	◦
Distributions ($1.905 per Share/Unit)	[38,898]	◦	◦	◦	[12,878]	[26,020]	◦
Net Income Before Minority Interest	13,346	◦	◦	◦	13,346	◦	◦
MINORITY INTEREST:							
Allocation of Income	[997]	◦	◦	◦	◦	[997]	◦
Distributions ($1.905 per Unit)	2,896	◦	◦	◦	◦	2,896	◦
Conversion of Units to Common Stock	1,005	◦	1	1,004	◦	◦	◦
Balance at December 31, 1995	**306,023**	**17**	**190**	**338,907**	◦	**[33,091]**	◦
Net Proceeds from Issuance of Common Stock	244,040	◦	109	243,931	◦	◦	◦
Preferred Stock Dividends ($2.375 per Series A Share)	[3,919]	◦	◦	◦	[3,919]	◦	◦
Distributions ($1.9675 per Share/Unit)	[54,318]	◦	◦	◦	[34,676]	[19,642]	◦
Exercise of Stock Options	228	◦	◦	228	◦	◦	◦
Net Income Before Minority Interest	38,595	◦	◦	◦	38,595	◦	◦
MINORITY INTEREST:							
Allocation of Income	[2,931]	◦	◦	◦	◦	[2,931]	◦
Distributions ($1.9675 per Unit)	3,900	◦	◦	◦	◦	3,900	◦
Conversion of Units to Common Stock	943	◦	◦	943	◦	◦	◦
Balance at December 31, 1996	**532,561**	**17**	**299**	**584,009**	◦	**[51,764]**	◦
Net Proceeds from Issuance of Preferred Stock	144,289	◦	◦	144,289	◦	◦	◦
Net Proceeds from Issuance of Common Stock	195,456	◦	60	195,396	◦	◦	◦
Issuance of Restricted Stock	◦	◦	1	3,654	◦	◦	[3,655]
Amortization of Restricted Stock Grants	238	◦	◦	◦	◦	◦	238
Preferred Stock Dividends ($2.375 per Series A Share, $137.326 per Series B Share and $122.029 per Series C Share)	[11,856]	◦	◦	◦	[11,856]	◦	◦
Distributions ($2.045 per Share/Unit)	[73,836]	◦	◦	◦	[45,402]	[28,434]	◦
Exercise of Stock Options	3,883	◦	2	3,881	◦	◦	◦
Net Income Before Minority Interest	57,258	◦	◦	◦	57,258	◦	◦
MINORITY INTEREST:							
Allocation of Income	[5,312]	◦	◦	◦	◦	[5,312]	◦
Distributions ($2.045 per Unit)	8,514	◦	◦	◦	◦	8,514	◦
Conversion of Units to Common Stock	3,395	◦	2	3,393	◦	◦	◦
Balance at December 31, 1997	**$ 854,590**	$ **17**	$ **364**	**$934,622**	$ ◦	**$[76,996]**	**$ [3,417]**

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

Consolidated Statements of Cash Flows

[Dollars in thousands]

	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 51,946	$ 35,664	$ 12,349
Income Allocated to Minority Interest	5,312	2,931	997
Income Before Minority Interest	57,258	38,595	13,346
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	35,286	24,542	19,440
Amortization of Interest Rate Protection Agreement and Deferred Financing Costs	2,812	3,286	4,438
Other Amortization	4,353	3,507	2,824
Provision for Bad Debts	850	100	352
Gain on Sales of Properties	[5,003]	[4,344]	◦
(Gain) Loss from Disposition of Interest Rate Protection Agreements	[1,430]	◦	6,410
Extraordinary Loss	14,124	2,273	◦
Increase in Tenant Accounts Receivable, Prepaid Expenses and Other Assets	[23,034]	[4,448]	[5,207]
Increase in Deferred Rent Receivable	[2,075]	[1,189]	[1,584]
Increase in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	17,644	2,085	953
Increase in Organization Costs	[185]	[68]	[153]
Decrease (Increase) in Restricted Cash	2,035	[1,718]	[2,278]
Net Cash Provided by Operating Activities	102,635	62,621	38,541
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of and Additions to Investment in Real Estate	[827,871]	[257,156]	[87,908]
Proceeds from Sale of Investment in Real Estate	33,658	14,972	◦
Funding of Mortgage Loans Receivable	[18,785]	◦	◦
Repayment of Mortgage Loans Receivable	4,751	◦	◦
(Increase) Decrease in Restricted Cash	2,742	1,613	3,749
Net Cash Used in Investing Activities	[805,505]	[240,571]	[84,159]
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Sale of Common Stock	200,360	260,703	◦
Common Stock Underwriting Discounts/Offering Costs	[5,221]	[15,190]	◦
Proceeds from Exercise of Employee Stock Options	3,883	◦	◦
Proceeds from Sale of Preferred Stock	150,000	◦	41,250
Preferred Stock Underwriting Discounts/Offering Costs	[5,710]	[408]	[4,123]
Proceeds from Sale of Interest Rate Protection Agreements	9,950	◦	◦
Purchase of Interest Rate Protection Agreements	[150]	◦	◦
Purchase of U.S. Government Securities	[300,000]	◦	◦
Proceeds from Maturity of U.S. Government Securities	300,000	◦	◦
Increase in Restricted Cash Defeasance	[306,000]	◦	◦
Proceeds from Senior Unsecured Debt	983,757	◦	◦
Repayment of Senior Unsecured Debt	[334,800]	◦	◦
Other Proceeds from Senior Unsecured Debt	2,377	◦	◦
Other Costs of Senior Unsecured Debt	[2,294]	◦	◦
Dividends/Distributions	[68,107]	[47,991]	[38,592]
Preferred Stock Dividends	[11,856]	[4,387]	◦
Proceeds from Mortgage Loans Payable	◦	36,750	52,850
Repayments on Mortgage Loans Payable	[11,156]	[935]	[6,000]
Proceeds from Acquisition Facilities Payable	540,100	103,523	83,943
Repayments on Acquisition Facilities Payable	[415,100]	[147,357]	[84,408]
Proceeds from Construction Loans Payable	◦	◦	4,873
Repayment of Construction Loans Payable	◦	[4,873]	◦
Repayment of Promissory Notes Payable	[9,919]	◦	◦
Cost of Debt Issuance and Retirement of Debt	[11,668]	[3,158]	[4,373]
Net Cash Provided by Financing Activities	708,446	176,677	45,420
Net Increase (Decrease) in Cash and Cash Equivalents	5,576	[1,273]	[198]
Cash and Cash Equivalents, Beginning of Period	7,646	8,919	9,117
Cash and Cash Equivalents, End of Period	$ 13,222	$ 7,646	$ 8,919

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

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

1 Organization and Formation of Company

First Industrial Realty Trust, Inc. was organized in the state of Maryland on August 10, 1993. First Industrial Realty Trust, Inc. is a real estate investment trust ("REIT") as defined in the Internal Revenue Code. First Industrial Realty Trust, Inc. and its subsidiaries (as discussed below) (the "Company") is continuing and expanding the midwestern industrial property business of The Shidler Group and the properties and businesses contributed by three other contributing businesses (the "Contributing Businesses").

The Company began operations on July 1, 1994. The Company's operations are conducted primarily through First Industrial, L.P. (the "Operating Partnership") of which the Company is the sole general partner. As of December 31, 1997, the Company owned 769 in-service properties located in 22 states, containing an aggregate of approximately 56.6 million square feet (unaudited) of gross leasable area ("GLA"). Of the 769 properties owned by the Company, 193 are held by First Industrial Financing Partnership, L.P. (the "Financing Partnership"), 522 are held by the Operating Partnership, six are held by First Industrial Pennsylvania, L.P. (the "Pennsylvania Partnership"), five are held by First Industrial Harrisburg, L.P. (the "Harrisburg Partnership"), 19 are held by First Industrial Securities, L.P. (the "Securities Partnership"), 23 are held by First Industrial Mortgage Partnership, L.P. (the "Mortgage Partnership") and one is held by First Industrial Indianapolis, L.P. (the "Indianapolis Partnership").

2 Basis of Presentation

First Industrial Realty Trust, Inc. is the sole general partner of the Operating Partnership, with an approximate 86.0% ownership interest at December 31, 1997. Minority interest at December 31, 1997, represents the approximately 14.0% aggregate partnership interest in the Operating Partnership held by the limited partners thereof. First Industrial Realty Trust, Inc. is the sole stockholder of First Industrial Finance Corporation, First Industrial Pennsylvania Corporation, First Industrial Harrisburg Corporation, First Industrial Securities Corporation, First Industrial Mortgage Corporation, First Industrial Indianapolis Corporation and FI Development Services Corporation, which are the sole general partners of the Financing Partnership, the Pennsylvania Partnership, the Harrisburg Partnership, the Securities Partnership, the Mortgage Partnership, the Indianapolis Partnership, and First Industrial Development Services, L.P., respectively. The Operating Partnership is the sole limited partner of the Financing Partnership, the Pennsylvania Partnership, the Harrisburg Partnership, the Securities Partnership, the Mortgage Partnership, the Indianapolis Partnership, and First Industrial Development Services, L.P. The Operating Partnership is also the sole member of FR Development Services, LLC, and the majority stockholder of First Industrial Enterprises of Michigan and FR Development Services, Inc. The consolidated financial statements of the Company at December 31, 1997 and 1996 and for each of the three years ended December 31, 1997 include the accounts and operations of the Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

3 Summary of Significant Accounting Policies

In order to conform with generally accepted accounting principles, management, in preparation of the Company's financial statements, is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 1997 and 1996, and the reported amounts of revenues and expenses for the years ended December 31, 1997, 1996 and 1995. Actual results could differ from those estimates.

Cash and Cash Equivalents:

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

Investment in Real Estate and Depreciation:

Purchase accounting has been applied when ownership interests in properties were acquired for cash. The historical cost basis of properties has been carried over when the Contributing Businesses' ownership interests were exchanged for Operating Partnership units on July 1, 1994 and purchase accounting has been used for all other properties that were subsequently acquired for Operating Partnership units.

The Company reviews its properties on a quarterly basis for impairment and provides a provision if impairments are determined. First, to determine if impairment may exist, the Company reviews its properties and identifies those which have had either an event of change or event of circumstances warranting further assessment of recoverability. Then, the Company estimates the fair value of those properties on an individual basis by capitalizing the expected net operating income. Such amounts are then compared to the property's depreciated cost to determine whether an impairment exists.

Interest expense, real estate taxes and other directly related expenses incurred during construction periods are capitalized and depreciated commencing with the date placed in service, on the same basis as the related assets. Depreciation expense is computed using the straight-line method based on the following useful lives:

(Dollars in thousands, except for per share data)

	YEARS
Buildings and Improvements	31.5 to 40
Land Improvements	15
Furniture, Fixtures and Equipment	5 to 10

Construction expenditures for tenant improvements and leasing commissions are capitalized and amortized over the terms of each specific lease. Repairs and maintenance are charged to expense when incurred. Expenditures for improvements are capitalized.

When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss.

Deferred Financing Costs:

Deferred financing costs include fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the respective loans. Accumulated amortization of deferred financing costs was $1,672 and $4,549 at December 31, 1997 and 1996, respectively. Unamortized deferred financing fees are written-off when debt is retired before the maturity date (see Note 9).

Revenue Recognition:

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

The Company provides an allowance for doubtful accounts against the portion of tenant accounts receivable which is estimated to be uncollectible. Accounts receivable in the consolidated balance sheets are shown net of an allowance for doubtful accounts of $1,450 and $600 as of December 31, 1997 and December 31, 1996, respectively.

Income Taxes:

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”). As a result, the Company generally is not subject to federal income taxation at the corporate level to the extent it distributes annually at least 95% of its REIT taxable income, as defined in the Code, to its stockholders and satisfies certain other requirements. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

The Company and certain of its subsidiaries are subject to certain state and local income, excise and franchise taxes. The provision for such state and local taxes has been reflected in general and administrative expense in the consolidated statements of operations and has not been separately stated due to its insignificance.

For federal income tax purposes, the cash distributions paid to stockholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. Distributions paid for the year ended December 31, 1997, totaling $65,322, are characterized 62.30% ($1.274 per share) as ordinary income, 35.60% ($.728 per share) as return of capital and 2.10% ($.043 per share) as 28% long-term capital gain. Distributions paid for the year ended December 31, 1996 totaling $50,418 are characterized 65.97% ($1.300 per share) as ordinary income and 34.03% ($.670 per share) as return of capital. Distributions paid for the year ended December 31, 1995 totaling $36,003 are characterized 40.17% ($.765 per share) as ordinary income and 59.83% ($1.140 per share) as return of capital.

Earnings Per Common Share:

The Company has adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 128, “Earnings Per Share” (“FAS 128”). Net income per weighted average share – basic is based on the weighted average common shares outstanding. Net income per weighted average share – diluted is based on the weighted average common shares outstanding plus the effect of in-the-money employee stock options. See Note 10 for the disclosure required under FAS 128.

Fair Value of Financial Instruments:

The Company’s financial instruments include short-term investments, tenant accounts receivable, accounts payable, other accrued expenses, mortgage loans payable, acquisition facilities payable, senior unsecured debt and interest rate protection agreements. The fair value of the short-term investments, tenant accounts receivable, accounts payable and other accrued expenses were not materially different from their carrying or contract values. See Note 4 for the fair values of the mortgage loans payable, acquisition facilities payable, senior unsecured debt and interest rate protection agreements.

Derivative Financial Instruments:

The Company’s interest rate protection agreements (the “Agreements”) are used to limit the interest rate on the Company’s $300,000 mortgage loan and fix the interest rate on anticipated offerings of senior unsecured debt. Receipts or payments resulting from the Agreements used to limit the interest rate on the Company’s $300,000 mortgage loan are recognized as adjustments to interest expense. In the event that the Company terminates these Agreements, the Company would recognize a gain (loss) from the disposition of the Agreements equal to the amount of cash received or paid at termination less the carrying value of the Agreements on the Company's balance sheet. Receipts or payments resulting from the settlement of Agreements used to fix the interest rate on anticipated offerings of senior unsecured debt are amortized over the life of the senior unsecured debt that the Agreements were used to hedge as an adjustment to interest expense using the effective interest method (or the straight line method if this method is not materially different from the effective interest method). The credit risks associated with the Agreements are controlled through the evaluation and monitoring of the creditworthiness of the counterparty. In the event that the counterparty fails to meet the terms of the Agreements, the Company's exposure is limited to the current value of the interest rate differential, not the notional amount, and the Company's carrying value of the Agreements on the balance sheet. The Agreements have been executed with creditworthy financial institutions. As such, the Company considers the risk of nonperformance to be remote.

Recent Accounting Pronouncements:

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement, effective for fiscal years beginning after December 15, 1997, requires the Company to report components of comprehensive income in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is defined by Concepts Statement No. 6, "Elements of Financial Statements" as the change in the equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company has not yet determined its comprehensive income.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement, effective for financial statements for periods beginning after December 15, 1997, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Company has not yet determined the impact of this statement on its financial statements.

Reclassification:

Certain 1996 items have been reclassified to conform to the 1997 presentation.

4 Mortgage Loans, Senior Unsecured Debt, Acquisition Facilities, Promissory Notes Payable and Interest Rate Protection Agreements

Mortgage Loans:

On June 30, 1994, the Company, through the Financing Partnership, entered into a $300,000 mortgage loan (the "1994 Mortgage Loan"). On April 4, 1997, the Company purchased U.S. Government securities as substitute collateral to execute a legal defeasance of the $300,000 mortgage loan (the "1994 Defeased Mortgage Loan") (see Note 9). Upon the execution of the legal defeasance, 180 of the 195 properties collateralizing the 1994 Defeased Mortgage Loan were released leaving 15 properties and the U.S. Government securities as collateral. On January 2, 1998, the Company used the gross proceeds from the maturity of the U.S. Government securities to pay off and retire the 1994 Defeased Mortgage Loan. Due to the retirement of the 1994 Defeased Mortgage Loan, the remaining 15 properties were released on January 2, 1998. The 1994 Defeased Mortgage Loan provided for interest only payments at a floating interest rate of LIBOR plus 1.40% which such interest rate had been limited to 7.2% from June 30, 1994 through June 30, 1995 through the use of the 1994 Interest Rate Protection Agreement (hereinafter defined). From July 1, 1995 through May 15, 1997, the 1994 Defeased Mortgage Loan's interest rate had been effectively fixed at the rate of 6.97% through the use of the 1995 Interest Rate Protection Agreements (hereinafter defined). From May 16, 1997 through December 31, 1997, the 1994 Defeased Mortgage Loan's interest rate had been limited to 7.2% through the use of the 1997 Interest Rate Protection Agreement (hereinafter defined).

Under the terms of the 1994 Defeased Mortgage Loan, certain cash reserves were required to be and had been set aside for payment of tenant improvements, capital expenditures, interest, real estate taxes, insurance and potential environmental costs as well as certain other cash reserves to pay off and retire the 1994 Defeased Mortgage Loan. The amount of cash reserves for payment of potential environmental costs was determined by the lender and was established at the closing of the 1994 Defeased Mortgage Loan. The amounts included in the cash reserves relating to payments of tenant improvements, capital expenditures, interest, real estate taxes and insurance were determined by the lender and approximated the next periodic payment of such items. At December 31, 1997 and 1996, these reserves totaled $310,943 and $10,223, respectively, and are included in Restricted Cash. Such cash reserves were invested in a money market fund at December 31, 1997. The maturity of these investments is one day; accordingly, cost approximates fair market value. On January 2, 1998, $300,000 of these cash reserves were used to pay down and retire the 1994 Defeased Mortgage Loan, $6,000 of these cash reserves were used to pay a prepayment fee on the 1994 Defeased Mortgage Loan and the remaining cash reserves were returned to the Company.

On December 29, 1995, the Company, through the Mortgage Partnership, entered into a $40,200 mortgage loan (the "1995 Mortgage Loan"). In the first quarter of 1996, the Company made a one time paydown of $200 on the 1995 Mortgage Loan which decreased the outstanding balance to

$40,000. The 1995 Mortgage Loan matures on January 11, 2026 and provides for interest only payments through January 11, 1998, after which monthly principal and interest payments are required based on a 28-year amortization schedule. The interest rate under the 1995 Mortgage Loan is fixed at 7.22% per annum through January 11, 2003. After January 11, 2003, the interest rate adjusts through a predetermined formula based on the applicable Treasury rate. The 1995 Mortgage Loan is collateralized by 23 properties held by the Mortgage Partnership. The 1995 Mortgage Loan may be prepaid after January 11, 2003.

Under the terms of the 1995 Mortgage Loan, certain cash reserves are required to be and have been set aside for refunds of security deposits and payments of capital expenditures, interest, real estate taxes and insurance. The amount of cash reserves segregated for security deposits is adjusted as tenants turn over. The amounts included in the cash reserves relating to payments of capital expenditures, interest, real estate taxes and insurance were determined by the lender and approximate the next periodic payment of such items. At December 31, 1997 and 1996, these reserves totaled $2,117 and $1,614, respectively, and are included in Restricted Cash. Such cash reserves were invested in a money market fund at December 31, 1997. The maturity of these investments is one day; accordingly, cost approximates fair market value.

On December 14, 1995, the Company, through First Industrial Harrisburg, L.P., entered into a $6,650 mortgage loan (the "Harrisburg Mortgage Loan") that was collateralized by first mortgage liens on three properties in Harrisburg, Pennsylvania. The Harrisburg Mortgage Loan bore interest at a rate based on LIBOR plus 1.5% or prime plus 2.25%, at the Company's option, and provided for interest only payments through May 31, 1996, with monthly principal and interest payments required subsequently based on a 26.5-year amortization schedule. On December 15, 1997, the Company paid off and retired the Harrisburg Mortgage Loan (see Note 9).

On March 20, 1996, the Company, through the Operating Partnership, and the Indianapolis Partnership, entered into a $36,750 mortgage loan (the "CIGNA Loan") that is collateralized by seven properties in Indianapolis, Indiana and three properties in Cincinnati, Ohio. The CIGNA Loan bears interest at a fixed interest rate of 7.50% and provides for monthly principal and interest payments based on a 25-year amortization schedule. The CIGNA Loan matures on April 1, 2003. The CIGNA Loan may be prepaid only after April 30, 1999 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

On March 20, 1996, the Company, through the Operating Partnership, assumed a $6,424 mortgage loan and a $2,993 mortgage loan (together, the "Assumed Loans") that are collateralized by 13 properties in Indianapolis, Indiana and one property in Indianapolis, Indiana, respectively. The Assumed Loans bear interest at a fixed rate of 9.25% and provide for monthly principal and interest payments based on a 16.75-year amortization schedule. The Assumed Loans mature on January 1, 2013. The Assumed Loans may be prepaid only after December 22, 1999 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

In conjunction with an acquisition of a portfolio of properties on January 31, 1997, the Company, through the Operating Partnership, assumed two mortgage loans in the amount of $3,800 (the "LB Mortgage Loan I") and $705 (the "LB Mortgage Loan II"). The LB Mortgage Loan I, which was collateralized by a property located in Long Island, New York and provided for interest only payments prior to its maturity date of July 11, 1998, was paid off and retired by the Company on December 19, 1997 (see Note 9). The LB Mortgage Loan II, which is collateralized by a property located in Long Island, New York, is interest free until February, 1998, at which time the LB Mortgage Loan II bears interest at 8.00% and provides for interest only payments prior to maturity. The LB Mortgage Loan II matures 180 days after the completion of a contingent event relating to the environmental status of the property collateralizing the loan.

In conjunction with the acquisition of a portfolio of properties on October 23, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $4,153 (the "Acquisition Mortgage Loan I"). The Acquisition Mortgage Loan I is collateralized by a property in Bensenville, Illinois, bears interest at a fixed rate of 8.50% and provides for monthly principal and interest payments based on a 15-year amortization schedule. The Acquisition Mortgage Loan I matures on August 1, 2008. The Acquisition Mortgage Loan I may be prepaid after July 15, 1998 in exchange for a prepayment fee.

In conjunction with the acquisition of a portfolio of properties on December 9, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $7,997 (the "Acquisition Mortgage Loan II"). The Acquisition Mortgage Loan II is collateralized by ten properties in St. Charles, Louisiana, bears interest at a fixed rate of 7.75% and provides for monthly principal and interest payments based on a 22-year amortization schedule. The Acquisition Mortgage Loan II matures on April 1, 2006. The Acquisition Mortgage Loan II may be prepaid only after April 9, 1999 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

In conjunction with the acquisition of a portfolio of properties on December 23, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of $3,598 (the "Acquisition Mortgage Loan III"). The Acquisition Mortgage Loan III is collateralized by two properties in Houston, Texas, bears interest at a fixed interest rate of 8.875% and provides for monthly principal and interest payments based on a 20-year amortization schedule. The Acquisition Mortgage Loan III matures on June 1, 2003. The Acquisition Mortgage Loan III may be prepaid only after June 30, 1998 in exchange for the greater of a 2% prepayment fee or a yield maintenance premium.

Senior Unsecured Debt:

On April 4, 1997, the Company, through the Operating Partnership, entered into a $309,800 unsecured loan (the "Defeasance Loan"). The Defeasance Loan bore interest at LIBOR plus 1% and had a scheduled maturity of July 1, 1999. The gross proceeds from the Defeasance Loan were used to purchase U.S. Government Securities as substitute collateral to execute a legal defeasance of the 1994 Defeased Mortgage Loan. The Defeasance Loan was paid off and retired in May, 1997 (See Note 9).

On May 13, 1997, the Company, through the Operating Partnership, issued $150,000 of senior unsecured debt which matures on May 15, 2007 and bears a coupon interest rate of 7.60% (the "2007 Notes"). The issue price of the 2007 Notes was 99.965%. Interest is paid semi-annually in arrears on May 15 and November 15. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2007 Notes prior to issuance. The debt issue discount and the settlement amount of the interest rate protection agreement are being amortized over the life of the 2007 Notes as an adjustment to the interest expense. The 2007 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On May 13, 1997, the Company, through the Operating Partnership, issued $100,000 of senior unsecured debt which matures on May 15, 2027, and bears a coupon interest rate of 7.15% (the "2027 Notes"). The issue price of the 2027 Notes was 99.854%. The 2027 Notes are redeemable, at the option of the holders thereof, on May 15, 2002. Interest is paid semi-annually in arrears on May 15 and November 15. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2027 Notes prior to issuance. The debt issue discount and the settlement amount of the interest rate protection agreement are being amortized over the life of the 2027 Notes as an adjustment to interest expense. The 2027 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On May 22, 1997, the Company, through the Operating Partnership, issued $100,000 of senior unsecured debt which matures on May 15, 2011 and bears a coupon interest rate of 7.375% (the "2011 Notes"). The issue price of the 2011 Notes was 99.348%. Interest is paid semi-annually in arrears on May 15 and November 15. The 2011 Notes are redeemable, at the option of the holder thereof, on May 15, 2004 (the "Put Option"). The Company received approximately $1,781 of proceeds from the holder of the 2011 Notes as consideration for the Put Option. The Company amortizes the Put Option amount over the life of the Put Option as an adjustment to interest expense. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2011 Notes prior to issuance. The debt issue discount and settlement amount of the interest rate protection agreement are being amortized over the life of the 2011 Notes as an adjustment to interest expense. The 2011 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On November 20, 1997, the Company, through the Operating Partnership, issued $50,000 of senior unsecured debt which matures on November 21, 2005 and bears a coupon interest rate of 6.90% (the "2005 Notes"). The issue price of the 2005 Notes was 100%. Interest is paid semi-annually in arrears on May 21 and November 21. The 2005 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On November 24, 1997, the Company, through the Operating Partnership, entered into a $25,000 unsecured loan (the "November 1997 Unsecured Loan"). The November 1997 Unsecured Loan bore interest at LIBOR plus .80% and had a scheduled maturity date of December 31, 1997. The November 1997 Unsecured Loan was paid off and retired on December 5, 1997 (see Note 9).

On December 8, 1997, the Company, through the Operating Partnership, issued $150,000 of senior unsecured debt which matures on December 1, 2006 and bears a coupon interest rate of 7.00% (the "2006 Notes"). The issue price of the 2006 Notes was 100%. Interest is paid semi-annually in arrears on June 1 and December 1. The Company also entered into an interest rate protection agreement which was used to fix the interest rate on the 2006 Notes prior to issuance. The settlement amount of the interest rate protection agreement is being amortized over the life of the 2006 Notes as an adjustment to interest expense. The 2006 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

On December 8, 1997, the Company, through the Operating Partnership, issued $100,000 of unsecured debt which matures on December 1, 2017 and bears a coupon interest rate of 7.50% (the "2017 Notes"). The issue price of the 2017 Notes was 99.808%. Interest is paid semi-annually in arrears on June 1 and December 1. The Operating Partnership will amortize the debt issue discount over the life of the 2017 Notes as an adjustment to interest expense. The 2017 Notes may be redeemed at any time at the option of the Company, in whole or in part, at a redemption price equal to the sum of the principal amount of the 2017 Notes being redeemed plus accrued interest thereon to the redemption date and any make-whole amount, as defined in the Prospectus Supplement relating to the 2017 Notes.

Acquisition Facilities:

In connection with the Initial Offering, the Company, through the Operating Partnership, entered into a $100,000 collateralized revolving credit facility (the "1994 Acquisition Facility"). During the quarter ended June 30, 1995, the capacity of the 1994 Acquisition Facility was increased to $150,000. Borrowings under the 1994 Acquisition Facility bore interest at a floating rate equal to LIBOR plus 2.00% or a "Corporate Base Rate" plus .50%, at the Company's election. Effective July 12, 1996, the lenders reduced the interest rate to LIBOR plus 1.75%. In December 1996, the Company terminated the 1994 Acquisition Facility (see Note 9) and entered into a $200,000 unsecured revolving credit facility (the "1996 Unsecured Acquisition Facility") which initially bore interest at LIBOR plus 1.10% or a "Corporate Base Rate" plus .25% and provided for interest only payments until the maturity date. In December 1997, the Company terminated the 1996 Unsecured Acquisition Facility (see Note 9) and entered into a $300,000 unsecured revolving credit facility (the "1997 Unsecured Acquisition Facility") which initially bears interest at LIBOR plus .80% or a "Corporate Base Rate" at the Company's election, and provides for interest only payments until maturity. The Company may borrow under the facility to finance the acquisition of additional properties and for other corporate purposes, including to obtain additional working capital. The 1997 Unsecured Acquisition Facility contains certain financial covenants relating to debt service coverage, market value net worth, dividend payout ratio and total funded indebtedness.

In December 1995, the Company, through the Operating Partnership, entered into a $24,219 collateralized revolving credit facility (the "1995 Credit Line"). The 1995 Credit Line bore interest at a floating rate of LIBOR plus 2.45%. The Company terminated the 1995 Credit Line in February 1996 (see Note 9).

In May 1996, the Company, through the Operating Partnership, entered into a $10,000 collateralized revolving credit facility (the "1996 Credit Line"). The 1996 Credit Line bore interest at a floating rate from LIBOR plus 2.45% to LIBOR plus 2.75%, depending on the term of the interest rate option. The Company terminated the 1995 Credit Line in November 1996 (see Note 9).

In September 1996, the Company, through the Operating Partnership, entered into a $40,000 revolving credit facility ("1996 Acquisition Facility"). Borrowings under the 1996 Acquisition Facility bore interest at a floating rate equal to LIBOR plus 2.00% or a "Corporate Base Rate" plus .50%, at the Company's election. The Company terminated the 1996 Acquisition Facility in November 1996 (see Note 9).

Promissory Notes Payable:

On September 30, 1996, the Company, through the Operating Partnership, entered into a $6,489 promissory note and a $3,430 promissory note (collectively referred to as "Promissory Notes") as partial consideration for the purchase of two properties in Columbus, Ohio. Both Promissory Notes bore interest at 8.00%. The Promissory Notes were paid off and retired on January 6, 1997.

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

The following table discloses certain information regarding the Company's mortgage loans, senior unsecured debt, acquisition facility and promissory notes payable:

	Outstanding Balance at		Accrued Interest Payable at		Interest Rate at	
	12/31/97	12/31/96	12/31/97	12/31/96	12/31/97	Maturity Date
MORTGAGE LOANS PAYABLE						
1994 Mortgage Loan	$ ○	$ 300,000	$ ○	$ 1,750	N/A	N/A
1995 Mortgage Loan	40,000	40,000	168	168	7.22%	1/11/26
Harrisburg Mortgage Loan	○	6,504	○	39	N/A	N/A
CIGNA Loan	35,813	36,363	○	○	7.50%	4/01/03
Assumed Loans	8,950	9,215	○	○	9.25%	1/01/13
LB Mortgage Loan II	705	○	○	○	[1]	[1]
Acquisition Mortgage Loan I	4,135	○	29	○	8.50%	8/01/08
Acquisition Mortgage Loan II	7,997	○	52	○	7.75%	4/01/06
Acquisition Mortgage Loan III	3,598	○	27	○	8.875%	6/01/03
Total	$ 101,198	$ 392,082	$ 276	$ 1,957		
DEFEASED MORTGAGE LOAN						
1994 Defeased Mortgage Loan (formerly defined as the 1994 Mortgage Loan)	$ 300,000	$ ○	$ 1,831	$ ○	7.09%	1/2/98
SENIOR UNSECURED DEBT						
2005 Notes	$ 50,000	○	$ 393	$ ○	6.90%	11/21/05
2006 Notes	150,000	○	671	○	7.00%	12/01/06
2007 Notes	149,951[2]	$ ○	1,457	○	7.60%	5/15/07
2011 Notes	99,377[2]	○	942	○	7.375%	5/15/11[3]
2017 Notes	99,809[2]	$ ○	479	○	7.50%	12/01/17[4]
2027 Notes	99,857[2]	○	914	○	7.15%	5/15/27[5]
Total	$ 648,994	$ ○	$ 4,856	$ ○		
ACQUISITION FACILITY PAYABLE						
1996 Unsecured Acquisition Facility	$ ○	$ 4,400	$ ○	$ 3	N/A	N/A
1997 Unsecured Acquisition Facility	$ 129,400	$ ○	$ 297	$ ○	6.77%	4/30/01
Total	$ 129,400	$ 4,400	$ 297	$ 3		
PROMISSORY NOTES PAYABLE						
Promissory Notes	$ ○	$ 9,919	$ ○	$ 68	N/A	N/A

[1] *The LB Mortgage Loan II is interest free until February 1998 at which time the mortgage loan bears interest at 8%. The loan matures as described above.*

[2] *The 2007 Notes, 2011 Notes, 2017 Notes and 2027 Notes are net of unamortized discounts of $49, $623, $191 and $143, respectively.*

[3] *The 2011 Notes are redeemable at the option of the holder thereof, on May 15, 2004.*

[4] *The 2017 Notes are redeemable at the option of the Company at any time based upon a predetermined formula.*

[5] *The 2027 Notes are redeemable at the option of the holders thereof, on May 15, 2002.*

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

Fair Value:

At December 31, 1996 the fair value of the Company's mortgage loans payable, acquisition facility payable and promissory notes payable were not materially different from their carrying values. The value of the interest rate protection agreements was approximately $7,959. At December 31, 1997, the fair value of the Company's mortgage loans payable, senior unsecured debt, acquisition facility payable and interest rate protection agreements were as follows:

	CARRYING AMOUNT	FAIR VALUE
MORTGAGE LOANS PAYABLE	$ 101,198	105,838
DEFEASED MORTGAGE LOAN PAYABLE	300,000	300,000
SENIOR UNSECURED DEBT	648,994	666,954
ACQUISITION FACILITY PAYABLE	129,400	129,400
INTEREST RATE PROTECTION AGREEMENTS	◦	[4,974]
TOTAL	$ 1,179,592	1,197,218

The following is a schedule of maturities of the mortgage loans, senior unsecured debt and acquisition facility payable for the next five years ending December 31, and thereafter:

	AMOUNT
1998	$ 301,843
1999	2,036
2000	2,203
2001	131,764
2002	2,559
Thereafter	739,488
Total	$ 1,179,893

The above table presents the 1994 Defeased Mortgage Loan maturing in 1998 due to its prepayment on January 2, 1998.

Interest Rate Protection Agreements:

In conjunction with obtaining the 1994 Mortgage Loan, the Company, through the Financing Partnership, purchased an interest rate protection agreement (the "1994 Interest Rate Protection Agreement") which effectively limited the interest rate during the initial five-year term of the 1994 Mortgage Loan to 7.20% per annum. Prior to the subsequent replacement of the 1994 Interest Rate Protection Agreement, its cost of $18,450 had been capitalized and was being amortized over the five-year term of the agreement. Effective July 1, 1995, the Company replaced the 1994 Interest Rate Protection Agreement with new interest rate protection agreements and entered into interest rate swap agreements (together, the "1995 Interest Rate Protection Agreements") with a notional value of $300,000, which together effectively fixed the annual interest rate on the 1994 Mortgage Loan at 6.97% for six years through June 30, 2001. As a result of the replacement of the interest rate protection agreement, the Company incurred a one-time loss of $6,400. The costs of the 1995 Interest Rate Protection Agreements had been capitalized and were being amortized over the respective terms of the 1995 Interest Rate Protection Agreements. On May 16, 1997, the Company sold the 1995 Interest Rate Protection Agreements and entered into a new interest rate protection agreement (the "1997 Interest Rate Protection Agreement") at a cost of $150 with a notional value of $300,000 which expired at the end of 1997. The 1997 Interest Rate Protection Agreement effectively limited the interest rate on the 1994 Defeased Mortgage Loan to 7.20% until December 31, 1997. The cost of the 1997 Interest Rate Protection Agreement had been capitalized and was being amortized on a straight-line basis over the remaining life of the 1997 Interest Rate Protection Agreement. Accumulated amortization on the interest rate protection agreements was $223 as of December 31, 1996. As of December 31, 1997 the interest rate protection agreements were fully amortized and written off.

The Company, from time to time, enters into interest rate protection agreements which are used to lock into a fixed interest rate on anticipated offerings of senior unsecured debt. At December 31, 1997, the following interest rate protection agreements were outstanding:

NOTIONAL	INTEREST RATE	VALUATION BASIS	SETTLEMENT DATE
$ 100,000	6.037%	10-YEAR TREASURY	JULY 1, 1998
$ 100,000	6.317%	30-YEAR TREASURY	JULY 1, 1998
$ 100,000	5.999%	30-YEAR TREASURY	JANUARY 4, 1999

5 Stockholders' Equity

Common Stock:

On February 2, 1996, the Company issued 5,175,000 shares of $.01 par value common stock (the "February 1996 Equity Offering") inclusive of the underwriters' over-allotment option. The price per share in the February 1996 Equity Offering was $22, resulting in gross offering proceeds of $113,850. Proceeds to the Company, net of underwriters' discount and total offering expenses, were approximately $106,343.

On October 25, 1996, the Company issued 5,750,000 shares of $.01 par value common stock (the "October 1996 Equity Offering") inclusive of the underwriters' over-allotment option. The price per share in the October 1996 Equity Offering was $25.50, resulting in gross offering proceeds of $146,625. Proceeds to the Company, net of underwriters' discount and total offering expenses, were approximately $137,697.

On September 16, 1997, the Company issued 637,440 shares of $.01 par value common stock (the "September 1997 Equity Offering"). The price per share in the September 1997 Equity Offering was $31.38, resulting in gross offering proceeds of $20,000. Proceeds to the Company, net of underwriters' discount and total offering expenses, were approximately $18,900.

On October 15, 1997, the Company issued 5,400,000 shares of $.01 par value common stock (the "October 1997 Equity Offering"). The price per share was $33.40 resulting in gross offering proceeds of $180,360. Proceeds to the Company, net of underwritings' discount and the total offering expenses, were approximately $176,556.

Preferred Stock:

In 1995, the Company issued 1,650,000 shares of 9.5%, $.01 par value, Series A Cumulative Preferred Stock (the "Series A Preferred Stock") at an initial offering price of $25 per share. Dividends on the Series A Preferred Stock are cumulative from the date of initial issuance and are payable quarterly in arrears. The payment of dividends and amounts upon liquidation, dissolution or winding-up ranks senior to the payments on the Company's $.01 par value common stock ("Common Stock"). The Series A Preferred Stock is not redeemable prior to November 17, 2000. On or after November 17, 2000, the Series A Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at $25.00 per share, or $41,250 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series A Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

The payment of dividends on, and payments on liquidation or redemption of, the Series A Preferred Stock is guaranteed by the Securities Partnership (the "Guarantor") pursuant to a Guarantee and Payment Agreement (the "Guarantee Agreement"). The Series A Preferred Stock is the only class of securities of the Company which has the benefit of such guarantee. To the extent the Company fails to make any payment of dividend or pay any portion of the liquidation preference on or the redemption price of any shares of Series A Preferred Stock, the Guarantor will be obligated to pay an amount to each holder of Series A Preferred Stock equal to any such shortfall.

On May 14, 1997, the Company issued 4,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 3/4%, $.01 par value, Series B Cumulative Preferred Stock (the "Series B Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series B Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series B Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock and Series C Preferred Stock (hereinafter defined). The Series B Preferred Stock is not redeemable prior to May 14, 2002. On or after May 14, 2002, the Series B Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $100,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series B Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On June 6, 1997, the Company issued 2,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 8 5/8%, $.01 par value, Series C Cumulative Preferred Stock (the "Series C Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series C Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series C Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock and Series B Preferred Stock. The Series C Preferred Stock is not redeemable prior to June 6, 2007. On or after June 6, 2007, the Series C Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $50,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series C Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

The following table summarizes certain information regarding the Company's preferred stock:

	STATED VALUE AT			
	12/31/97	12/31/96	INITIAL DIVIDEND RATE	OPTIONAL REDEMPTION DATE
SERIES A PREFERRED STOCK	$ 41,250	$ 41,250	9.5%	11/17/00
SERIES B PREFERRED STOCK	100,000	◦	8.75%	5/14/02
SERIES C PREFERRED STOCK	50,000	◦	8.625%	6/06/07
TOTAL	$ 191,250	$ 41,250		

Shareholders' Rights Plan:

On September 4, 1997, the Board of Directors of the Company declared a dividend distribution of one Preferred Share Purchase Right ("Right") for each outstanding share of common stock, par value $.01 per share, of the Company (the "Common Stock"). The dividend distribution was made on October 20, 1997 to stockholders of record as of the close of business on October 19, 1997. In addition, a Right will attach to each share of Common Stock issued in the future. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Junior Participating Preferred Stock (the "Junior Preferred Stock"), at a price of $125 per one one-hundredth of a share (the "Purchase Price"), subject to adjustment. The Rights become exercisable only if a person or group of affiliated or associated persons (an "Acquiring Person") acquires, or obtains the right to acquire, beneficial ownership of Common Stock or other voting securities ("Voting Stock") that have 15% or more of the voting power of the outstanding shares of Voting Stock, or if an Acquiring Person commences or makes an announcement of an intention to commence a tender offer or exchange offer to acquire beneficial ownership of Voting Stock that have 15% or more of the voting power of the outstanding shares of Voting Stock. The Rights will expire on October 19, 2007, unless redeemed earlier by the Company at $.001 per Right, or exchanged by the Company at an exchange ratio of one share of Common Stock per Right.

In the event that a person becomes an Acquiring Person, each holder of a Right, other than the Acquiring Person, is entitled to receive, upon exercise, (1) Common Stock having a value equal to two times the Purchase Price of the Right or (2) common stock of the acquiring company having a value equal to two times the Purchase Price of the Right.

The Junior Preferred Stock ranks junior to all other series of the Company's preferred stock with respect to payment of dividends and as to distributions of assets in liquidation. Each share of Junior Preferred Stock has a quarterly dividend rate per share equal to the greater of $1.00 or 100 times the per share amount of any dividend (other than a dividend payable in shares of Common Stock or a subdivision of the Common Stock) declared on the Common Stock, subject to certain adjustments. In the event of liquidation, the holder of the Junior Preferred Stock is entitled to receive a preferred liquidation payment per share of $1.00 (plus accrued and unpaid dividends) or, if greater, an amount equal to 100 times the payment to be made per share of Common Stock, subject to certain adjustments.

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

Dividends/Distributions:

The following table summarizes dividends/ distributions for the past two years:

	Record Date	Payable Date	Dividend/Distribution per Share/Unit	Total Dividend/ Distribution
COMMON STOCK/OPERATING PARTNERSHIP UNITS				
First Quarter 1996	March 29, 1996	April 22, 1996	$ .48750	$ 12,477
Second Quarter 1996	June 28, 1996	July 22, 1996	$ .48750	$ 12,759
Third Quarter 1996	September 27, 1996	October 21, 1996	$ .48750	$ 12,801
Fourth Quarter 1996	December 31, 1996	January 20, 1997	$ .50500	$ 16,281
First Quarter 1997	March 31, 1997	April 21, 1997	$ .50500	$ 16,904
Second Quarter 1997	June 30, 1997	July 21, 1997	$ .50500	$ 17,222
Third Quarter 1997	September 30, 1997	October 20, 1997	$ .50500	$ 17,703
Fourth Quarter 1997	December 31, 1997	January 20, 1998	$ .53000	$ 22,010
SERIES A PREFERRED STOCK				
First Quarter 1996	March 15, 1996	March 31, 1996	$ .59375	$ 980
Second Quarter 1996	June 14, 1996	June 30, 1996	$ .59375	$ 980
Third Quarter 1996	September 16, 1996	September 30, 1996	$ .59375	$ 980
Fourth Quarter 1996	December 13, 1996	December 31, 1996	$ .59375	$ 980
First Quarter 1997	March 14, 1997	March 31, 1997	$ .59375	$ 980
Second Quarter 1997	June 13, 1997	June 30, 1997	$ .59375	$ 980
Third Quarter 1997	September 15, 1997	September 30, 1997	$ .59375	$ 980
Fourth Quarter 1997	December 15, 1997	December 31, 1997	$ .59375	$ 980
SERIES B PREFERRED STOCK				
Second Quarter 1997	June 13, 1997	June 30, 1997	$27.95000	$ 1,119
Third Quarter 1997	September 15, 1997	September 30, 1997	$54.68750	$ 2,188
Fourth Quarter 1997	December 15, 1997	December 31, 1997	$54.68750	$ 2,188
SERIES C PREFERRED STOCK				
Third Quarter 1997	September 15, 1997	September 30, 1997	$68.12300 [1]	$ 1,363
Fourth Quarter 1997	December 15, 1997	December 31, 1997	$53.90600	$ 1,078

[1] *$14.217 of this dividend relates to the second quarter of 1997.*

6 Acquisition and Development of Real Estate

In 1997, the Company acquired 389 industrial properties comprising approximately 22.9 million square feet (unaudited) of GLA for a total purchase price of approximately $862,350 and completed the development of ten properties and two expansions comprising approximately 1.7 million square feet (unaudited) of GLA at a cost of approximately $50,246.

7 Sales of Real Estate

In 1996, the Company sold six properties. Gross proceeds from these sales totaled approximately $14,972. The gain on sales totaled approximately $4,344.

In 1997, the Company sold ten in-service properties, one property held for redevelopment and several parcels of land. Gross proceeds from these sales totaled approximately $33,658. The gain on sales totaled approximately $5,003.

8 Disposition of Interest Rate Protection Agreement

In July 1995, the Company sold the 1994 Interest Rate Protection Agreement for approximately $12,852. The loss on disposition of the 1994 Interest Rate Protection Agreement totaled approximately $6,410.

In May 1997, the Company sold the 1995 Interest Rate Protection Agreements for approximately $9,950. The gain on disposition of the 1995 Interest Rate Protection Agreement totaled approximately $1,430.

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

9 Extraordinary Items

In 1996, the Company terminated the 1994 Acquisition Facility, the 1995 Credit Line, the 1996 Credit Line and the 1996 Acquisition Facility before their contractual maturity date. As a result of these early retirements, the Company recorded an extraordinary loss of $2,273 comprised of a prepayment fee, the write-off of unamortized deferred financing fees, legal costs and other expenses.

In 1997, the Company terminated the Harrisburg Mortgage Loan, the LB Mortgage Loan I, the Defeasance Loan and the 1996 Unsecured Acquisition Facility before their contractual maturity date. Also, the Company entered into a commitment to pay down and retire the 1994 Defeased Mortgage Loan on January 2, 1998. As a result of the early retirements and the commitment for early retirement of the 1994 Defeased Mortgage Loan, the Company recorded an extraordinary loss of $14,124 comprised of prepayment fees, the write off of unamortized deferred financing fees, legal costs and other expenses.

10 Earnings Per Share

In February 1997, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards No. 128, “Earnings per Share” (“FAS 128”), effective for financial statements ending after December 15, 1997. As required by this statement, the Company adopted the new standard for computing and presenting earnings per share (EPS) for the year ended December 31, 1997, and for all prior-periods’ EPS data presented herein. The outstanding Operating Partnership units have been excluded from the diluted earnings per share calculation as there would be no effect on the amounts since the minority interests’ share of income would also be added back to net income. The computation of basic and diluted EPS, as prescribed by FAS 128, is presented below:

	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
NUMERATOR:			
Income Before Extraordinary Loss	$ 66,070	$ 37,937	$ 12,349
Less: Preferred Stock Dividends	[11,856]	[3,919]	[468]
Net Income Available to Common Stockholders Before Extraordinary Loss – For Basic and Diluted EPS	$ 54,214	$ 34,018	$ 11,881
Extraordinary Loss	$ [14,124]	$ [2,273]	$ ○
Net Income Available to Common Stockholders – For Basic and Diluted EPS	$ 40,090	$ 31,745	$ 11,881
DENOMINATOR:			
Weighted Average Common Shares Outstanding at December 31, 1997, 1996 and 1995, respectively – Basic	31,508,240	24,755,953	18,889,013
Effect of Dilutive Securities: Employee Common Stock Options	305,686	86,447	○
Weighted Average Common Shares Outstanding at December 31, 1997, 1996 and 1995, respectively – Diluted	31,813,926	24,842,400	18,889,013
BASIC EPS:			
Net Income Available to Common Stockholders Before Extraordinary Loss	$ 1.72	$ 1.37	$ .63
Extraordinary Loss	$ [.45]	$ [.09]	$ ○
Net Income Available to Common Stockholders	$ 1.27	$ 1.28	$ .63
DILUTED EPS:			
Net Income Available to Common Stockholders Before Extraordinary Loss	$ 1.70	$ 1.37	$ .63
Extraordinary Loss	$ [.44]	$ [.09]	$ ○
Net Income Available to Common Stockholders	$ 1.26	$ 1.28	$ .63

(Dollars in thousands, except for per share data)

11 Future Rental Revenues

The Company's properties are leased to tenants under net and semi-net operating leases. Minimum lease payments receivable, excluding tenant reimbursements of expenses, under noncancelable operating leases in effect as of December 31, 1997 are approximately as follows:

	FUTURE RENTAL REVENUES
1998	$ 229,229
1999	190,315
2000	145,075
2001	108,223
2002	78,566
Thereafter	187,289
Total	$ 938,697

12 Employee Benefit Plans

The Company maintains two stock incentive plans (the "Stock Incentive Plans") which are administered by the Compensation Committee of the Board of Directors. Only officers and other employees of the Company and its affiliates generally are eligible to participate in the Stock Incentive Plans. However, Independent Directors of the Company receive automatic annual grants of options to purchase 10,000 shares at a per share exercise price equal to the fair market value of a share on the date of grant.

The Stock Incentive Plans authorize (i) the grant of stock options that qualify as incentive stock options under Section 422 of the Code, (ii) the grant of stock options that do not so qualify, (iii) restricted stock awards, (iv) performance share awards and (v) dividend equivalent rights. The exercise price of stock options will be determined by the Compensation Committee, but may not be less than 100% of the fair market value of the shares on the date of grant. Special provisions apply to awards granted under the Stock Incentive Plans in the event of a change in control in the Company. As of January 30, 1998, the Company has authorized 7.7 million shares for issuance under the Stock Incentive Plans, of which 1.7 million shares are available for future grants. The outstanding stock options generally vest over one to two year periods and have lives of ten years. Stock option transactions are summarized as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	EXERCISE PRICE PER SHARE
GRANTED AT INITIAL OFFERING	637,500	$23.50	$23.50
OUTSTANDING AT DECEMBER 31, 1994	637,500	$23.50	$23.50
Granted	274,500	$19.98	$18.25 - $20.25
Expired or Terminated	[54,000]	$23.50	$23.50
OUTSTANDING AT DECEMBER 31, 1995	858,000	$22.37	$18.25 - $23.50
Granted	263,500	$22.94	$22.75 - $25.63
Exercised	[16,000]	$23.50	$23.50
Expired or Terminated	[12,000]	$23.50	$23.50
OUTSTANDING AT DECEMBER 31, 1996	1,093,500	$22.49	$18.25 - $25.63
Granted	538,000	$30.32	$28.50 - $30.375
Exercised or Converted	[300,000]	$22.50	$18.25 - $23.50
OUTSTANDING AT DECEMBER 31, 1997	1,331,500	$25.67	$18.25 - $30.375

The following table summarizes currently outstanding and exercisable options as of December 31, 1997:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WTD. AVERAGE REMAINING CONTRAC. LIFE	WTD. AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WTD. AVERAGE EXERCISE PRICE
$18.25 - $25.63	793,500	7.28	$22.52	793,500	$22.52
$28.50 - $30.50	538,000	9.37	$30.32	229,000	$30.375

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its Stock Incentive Plans. Accordingly, no compensation expense has been recognized in the consolidated statements of operations. Had compensation cost for the Company's Stock Incentive Plans been determined based upon the fair value at the grant date for awards under the Stock Incentive Plan consistent with the methodology prescribed under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," net income and earnings per share would have been the pro forma amounts indicated in the table below:

	FOR THE YEAR ENDED		
	1997	1996	1995
Net Income Available to Common Stockholders – as reported	$ 40,090	$ 31,745	$ 11,881
Net Income Available to Common Stockholders – pro forma	$ 38,810	$ 31,239	$ 11,881
Net Income Available to Common Stockholders per Share – as reported – Basic	$ 1.27	$ 1.28	$ .63
Net Income Available to Common Stockholders per Share – pro forma – Basic	$ 1.23	$ 1.26	$ .63
Net Income Available to Common Stockholders per Share – as reported – Diluted	$ 1.26	$ 1.28	$ .63
Net Income Available to Common Stockholders per Share – pro forma – Diluted	$ 1.22	$ 1.26	$ .63

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1997	1996	1995
Expected dividend yield	8.15%	7.16%	7.16%
Expected stock price volatility	20.01%	18.12%	18.12%
Risk-free interest rate	6.48%	6.81%	6.05%
Expected life of options	3.78	7.37	5.51

The weighted average fair value of options granted during 1997, 1996 and 1995 is $2.72, $2.43 and $1.84 per option, respectively.

In September 1994, the Board of Directors approved and the Company adopted a 401(k)/Profit Sharing Plan. Under the Company's 401(k)/Profit Sharing Plan, all eligible employees may participate by making voluntary contributions. The Company may make, but is not required to make, matching contributions. For the years ended December 31, 1996 and 1995, the Company did not make any matching contributions. For the year ended December 31, 1997, the Company made a matching contribution of approximately $108. In March 1996, the Board of Directors approved and the Company adopted a Deferred Income Plan (the "Plan"). Under the Plan, 194,164 unit awards and 138,500 unit awards were granted for the years ended December 31, 1997 and 1996 respectively, providing the recipients with deferred income benefits which vest in three equal annual installments. The expense related to these deferred income benefits is included in general and administrative expenses in the consolidated statements of operations.

During 1997, the Company awarded 59,946 shares of restricted Common Stock to certain employees, 1,274 of restricted Common Stock to certain Directors and certain other employees of the Company converted certain employee stock options to 54,936 shares of restricted Common Stock. These restricted shares of Common Stock had a fair value of $3,654 on the date of grant. The restricted Common Stock vests over a period from two to ten years. Compensation expense will be charged to earnings over the vesting period.

13 Related Party Transactions

The Company often obtains title insurance coverage for its properties from an entity for which an independent Director of the Company became the President, Chief Executive Officer and a Director in 1996.

On November 19, 1997, the Company exercised an option that was granted on March 19, 1996 to purchase a 100,000 square foot (unaudited) bulk warehouse property located in Indianapolis, Indiana for approximately $3,338. The property was purchased from a partnership in which one of the Company's Senior Regional Directors was a limited partner.

From time to time, the Company utilizes real estate brokerage services from CB Commercial for which a relative of one of the Company's senior executive officers is an employee.

(Dollars in thousands, except for per share data)

14 Supplemental Information to Statements of Cash Flows

Supplemental disclosure of cash flow information:

	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
Interest paid, net of capitalized interest	$ 44,627	$ 29,309	$ 28,248
Interest capitalized	$ 1,151	$ 501	$ 324
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Distribution payable on common stock/units	$ 22,010	$ 16,281	$ 9,954
Dividend payable on preferred stock	$ ○	$ ○	$ 468
EXCHANGE OF UNITS FOR COMMON SHARES:			
Minority interest	[3,395]	$ [943]	$ [1,005]
Common stock	2	○	$ 1
Additional paid in capital	3,393	943	$ 1,004
	$ ○	$ ○	$ ○
Sale of interest rate protection agreement	$ ○	$ ○	$ [12,852]
Purchase of interest rate protection and swap agreements	○	○	12,852
	$ ○	$ ○	$ ○
IN CONJUNCTION WITH THE PROPERTY ACQUISITIONS, THE FOLLOWING ASSETS AND LIABILITIES WERE ASSUMED:			
Purchase of real estate	$ 862,350	$ 252,991	$ 63,855
Mortgage loans	[20,272]	[9,417]	○
Promissory notes	○	[9,919]	○
Operating partnership units	[115,230]	[23,863]	○
Accounts receivable	○	○	153
Accounts payable and accrued expenses	[11,414]	[2,626]	[1,115]
Acquisition of real estate	$ 715,434	$ 207,166	$ 62,893

(Dollars in thousands, except for per share data)

15 Commitments and Contingencies

In the normal course of business, the Company is involved in legal actions arising from the ownership of its properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a materially adverse effect on the consolidated financial position, operations or liquidity of the Company.

Thirty-four properties have leases granting the tenants options to purchase the property. Such options are exercisable at various times and at appraised fair market value or at a fixed purchase price generally in excess of the Company's net book value of the asset. The Company has no notice of any exercise of any tenant purchase option.

The Company has committed to the construction of 12 industrial properties totaling approximately 2.5 million square feet (unaudited). The estimated total construction costs are approximately $90.4 million (unaudited). These developments are expected to be funded with cash flow from operations as well as borrowings under the 1997 Unsecured Acquisition Facility.

At December 31, 1997, the Company had two letters of credit outstanding in the amounts of $980 and $329. The $980 letter of credit was required under the original issuance of the Series A Preferred Stock to guarantee the payment of one quarter's dividend on the Series A Preferred Stock. The Guarantee Agent of the Series A Preferred Stock is the beneficiary of this letter of credit which expires on June 29, 1998. The $329 letter of credit is pledged to a municipality to guarantee the completion of certain site improvements at one of the Company's property developments. It expires on August 31, 1998.

16 Subsequent Events (unaudited)

During the period January 1, 1998 through March 16, 1998, the Company purchased 56 industrial properties containing an aggregate of 2.9 million square feet of GLA for approximately $103,441, or $36.20 per square foot. The aggregate purchase price consisted of approximately $101,470 million in cash and Operating Partnership units valued at approximately $1,971.

On January 2, 1998, the Company entered into an interest rate protection agreement to lock into a fixed interest rate on an anticipated offering of senior unsecured debt. The interest rate protection agreement had a notional value of $50,000, an interest rate of 5.937% and a settlement date of October 2, 1998. This interest rate protection agreement's value is based on the 30-year Treasury.

On January 27, 1998, the Company registered approximately $789,165 of common stock, preferred stock and depositary shares and $400,000 of debt securities.

On February 4, 1998, the Company issued 5,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 7.95%, $.01 par value, Series D Cumulative Preferred Stock (the "Series D Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series D Preferred Stock represented by the Depositary Shares are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the dividends and amounts upon liquidation, dissolution or winding up, the Series D Preferred Stock ranks senior to payments on the Company's $.01 par value common stock and *pari passu* with the Company's Series A, B and C Preferred Stock. The Series D Preferred Stock is not redeemable prior to February 4, 2003. On or after February 4, 2003, the Series D Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $125,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series D Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

On March 18, 1998, the Company issued 3,000,000 Depositary Shares, each representing 1/100th of a share of the Company's 7.90%, $.01 par value, Series E Cumulative Preferred Stock (the "Series E Preferred Stock"), at an initial offering price of $25 per Depositary Share. Dividends on the Series E Preferred Stock, represented by the Depositary Shares, are cumulative from the date of initial issuance and are payable quarterly in arrears. With respect to the payment of dividends and amounts upon liquidation, dissolution or winding up, the Series E Preferred Stock ranks senior to payments on the Company's Common Stock and *pari passu* with the Company's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock; however, the Series A Preferred Stock has the benefit of a guarantee by First Industrial Securities, L.P. The Series E Preferred Stock is not redeemable prior to March 18, 2003. On or after March 18, 2003, the Series E Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to $25 per Depositary Share, or $75,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series E Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

In March 1998, the Company declared a first quarter dividend of $.53 per share on its common stock which is payable on April 20, 1998. The Company also declared a first quarter dividend of $.59375 per share, $54.688 per share ($.54688 per depositary share), $53.906 per share ($.53906 per depositary share) and a partial period dividend of $30.365 per share ($.30365 per depositary share) on its Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, respectively, which is payable on March 31, 1998.

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

17 Quarterly Financial Information
(unaudited)

	Year Ended December 31, 1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
TOTAL REVENUES	$ 46,143	$ 52,648	$ 56,377	$ 68,035
Income Before Disposition of Interest Rate Protection Agreements, Gain on Sales of Properties, Minority Interest and Extraordinary Loss	13,190	15,091	17,180	19,488
Disposition of Interest Rate Protection Agreements	—	1,430	—	—
Gain on Sales of Properties	—	3,999	187	817
Income Before Minority Interest and Extraordinary Loss	13,190	20,520	17,367	20,305
Minority Interest	[1,356]	[594]	[1,552]	[1,810]
Income Before Extraordinary Loss	11,834	19,926	15,815	18,495
Extraordinary Loss	—	[12,563]	—	[1,561]
Net Income	11,834	7,363	15,815	16,934
Preferred Stock Dividends	[980]	[2,385]	[4,245]	[4,246]
Net Income Available to Common Stockholders	$ 10,854	$ 4,978	$ 11,570	$ 12,688
EARNINGS PER SHARE:				
Net Income Available to Common Stockholders Before Extraordinary Loss per Weighted Average Common Share Outstanding:				
Basic	$ .36	$ .58	$ .38	$ .40
Diluted	$ .36	$ .58	$ .38	$ .40
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ .36	$ .17	$ .38	$ .36
Diluted	$ .36	$ .16	$ .38	$ .35

	Year Ended December 31, 1996			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
TOTAL REVENUES	$ 30,645	$ 34,779	$ 36,175	$ 38,456
Income Before Gain on Sales of Properties, Minority Interest and Extraordinary Loss	6,986	8,558	9,419	11,561
Gain on Sales of Properties	—	4,320	—	24
Income Before Minority Interest and Extraordinary Loss	6,986	12,878	9,419	11,585
Minority Interest	[404]	[1,001]	[759]	[767]
Income Before Extraordinary Loss	6,582	11,877	8,660	10,818
Extraordinary Loss	[821]	—	—	[1,452]
Net Income	5,761	11,877	8,660	9,366
Preferred Stock Dividends	[980]	[980]	[980]	[979]
Net Income Available to Common Stockholders	$ 4,781	$ 10,897	$ 7,680	$ 8,387
EARNINGS PER SHARE:				
Net Income Available to Common Stockholders Before Extraordinary Loss per Weighted Average Common Share Outstanding:				
Basic	$ .25	$ .45	$ .32	$ .35
Diluted	$ .25	$ .45	$ .32	$ .34
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	$ .21	$ .45	$ .32	$ .30
Diluted	$ .21	$ .45	$ .32	$ .29

Notes to Consolidated Financial Statements

(Dollars in thousands, except for per share data)

18 Pro Forma Financial Information
(unaudited)

The following Pro Forma Condensed Statements of Operations for the years ended December 31, 1997 and 1996 are presented as if the acquisition of 501 properties between January 1, 1996 and December 31, 1997 had been acquired on either January 1, 1996 or the lease commencement date if the property was developed and as if the February 1996 Equity Offering, the October 1996 Equity Offering, the Series B Preferred Stock Offering, the Series C Preferred Stock Offering, the September 1997 Equity Offering, the October 1997 Equity Offering, the assumption of secured debt, the issuance of the 2005 Notes, the issuance of the 2006 Notes and the issuance of the 2017 Notes had been completed on January 1, 1996.

PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

	Year Ended 12/31/97	Year Ended 12/31/96
Total Revenues	$ 293,404	$ 262,175
Property Expenses	80,234	76,536
General and Administrative Expense	6,248	4,018
Interest Expense	62,135	47,383
Depreciation and Other Amortization	50,908	47,362
Amortization of Interest Rate Protection Agreements and Deferred Financing Costs	2,812	3,286
Income Before Disposition of Interest Rate Protection Agreements, Gain on Sales of Properties, Minority Interest and Extraordinary Item	91,067	83,590
Disposition of Interest Rate Protection Agreements	1,430	◦
Gain on Sales of Properties	5,003	4,344
Income Before Minority Interest and Extraordinary Item	97,500	87,934
Income Allocated to Minority Interest	[11,361]	[10,074]
Income Before Extraordinary Item	86,139	77,860
Preferred Stock Dividends	[16,984]	[16,984]
Income Before Extraordinary Item Available to Common Stockholders	$ 69,155	$ 60,876
Income Before Extraordinary Item Available to Common Stockholders Per Weighted Average Common Share Outstanding – Basic	$ 1.91	$ 1.68
Income Before Extraordinary Item Available to Common Stockholders Per Weighted Average Common Share Outstanding – Diluted	$ 1.89	$ 1.68

Property Development Activity

During 1997, the Company completed ten developments and two expansions totaling approximately 1.7 million square feet of GLA at a total cost of approximately $50.2 million, or $28.88 per square foot. The developed properties have the following characteristics:

Region	GLA	Property Type	Occupancy at 12/31/97	Completion Date
Midwest				
St. Louis, MO	178,800	Bulk	100%	December 12, 1997
Clarion, IA	126,900	Bulk	100%	December 16, 1997
Michigan/Northern Ohio				
Livonia, MI	140,365	Bulk	100%	March 1, 1997
Grand Rapids, MI	17,000	Bulk	100%	April 1, 1997
Livonia, MI	127,800	Bulk	100%	November 21, 1997
Livonia, MI	145,232	Bulk	100%	December 31, 1997
Mid-Central				
Indianapolis, IN	10,000	Bulk	100%	April 1, 1997
Mid-Atlantic/Southeast				
Middleton, PA	216,387	Bulk	100%	March 1, 1997
Atlanta, GA	181,200	Bulk	[A]	March 10, 1997
Middleton, PA	321,333	Bulk	100%	June 1, 1997
Atlanta, GA	24,660	Lt. Ind.	100%	December 8, 1997
Gulf Coast				
Shreveport, LA	250,000	Bulk	100%	December 1, 1997
Total	1,739,677			

[A] *Property was sold on June 30, 1997*

At December 31, 1997, the Company had 12 properties under development, with an estimated completion cost of approximately $90.4 million.

Property Acquisition Activity

During 1997, the Company completed 56 separate property acquisition transactions totaling approximately 22.9 million square feet of GLA at a total purchase price of approximately $862.4 million, or $37.68 per square foot. The 389 properties acquired have the following characteristics:

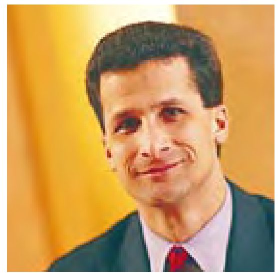
Region	GLA	Property Type	Occupancy at 12/31/97	Acquisition Date
North Central/Rocky Mountain				
New Brighton, MN	112,082	Lt. Ind.	100%	March 31, 1997
Brooklyn Park, MN	79,675	Lt. Ind.	82%	March 31, 1997
Minneapolis, MN	49,190	Lt. Ind.	100%	April 3, 1997
Denver, CO	3,573,495	Lt. Ind.	94%	October 30, 1997
Eden Prairie, MN	89,456	Lt. Ind.	100%	October 31, 1997
Denver, CO	71,344	Lt. Ind.	100%	December 4, 1997
Phoenix, AZ	437,342	Lt. Ind.	100%	December 5, 1997
Phoenix, AZ	98,052	Lt. Ind.	100%	December 19, 1997
Salt Lake City, UT	498,233	Lt. Ind.	88%	December 23, 1997
Midwest				
Buffalo Grove, IL	84,956	Lt. Ind.	100%	March 28, 1997
Alsip, IL	320,171	Bulk	97%	May 29, 1997
West Allis, WI	92,815	Lt. Ind.	100%	June 2, 1997
Wauwatosa, WI	25,150	Lt. Ind.	100%	June 5, 1997
Green Bay, WI	25,254	Lt. Ind.	100%	June 13, 1997
LaGrange, IL	59,075	Lt. Ind.	100%	June 20, 1997
Wauwatosa, WI	39,800	Lt. Ind.	100%	June 26, 1997
Elk Grove, IL	212,040	Lt. Ind.	100%	June 30, 1997
Polk, IA	54,000	Lt. Ind.	100%	August 29, 1997
Hazelwood, MO	35,114	Lt. Ind.	100%	September 30, 1997
Ford City, IL	563,458	Bulk/Lt. Ind.	68%	October 11, 1997
Ford City, IL	391,470	Bulk/Lt. Ind.	93%	October 23, 1997
Michigan/Northern Ohio				
Detroit, MI	179,400	Bulk	99%	March 21, 1997
Independence, OH	169,116	Lt. Ind.	92%	September 19, 1997
Taylor, MI	102,400	Bulk	100%	September 23, 1997
Cleveland, OH	51,525	Lt. Ind.	100%	October 1, 1997
Cleveland, OH	32,000	Lt. Ind.	100%	October 28, 1997

Property Acquisition Activity

Region	GLA	Property Type	Occupancy at 12/31/97	Acquisition Date
Mid-Central				
Indianapolis, IN	482,400	Bulk	100%	January 9, 1997
Dayton, OH	58,746	Lt. Ind.	100%	February 20, 1997
Columbus, OH	243,000	Bulk	93%	April 4, 1997
Indianapolis, IN	161,539	Lt. Ind.	100%	July 30, 1997
Indianapolis, IN	353,000	Lt. Ind.	100%	September 23, 1997
Florence, KY	570,000	Lt. Ind.	100%	September 30, 1997
Nashville, TN	480,118	Lt. Ind.	96%	October 17, 1997
Indianapolis, IN	100,000	Bulk	92%	November 19, 1997
Hilliard, OH	255,470	Bulk	100%	December 29, 1997
Mid-Atlantic/Southeast				
York, PA	312,500	Bulk	100%	March 17, 1997
Mechanicsburg, PA	162,500	Lt. Ind.	100%	March 24, 1997
Mechanicsburg, PA	178,600	Bulk	100%	June 2, 1997
Atlanta, GA	97,518	Bulk	100%	September 26, 1997
Atlanta, GA	67,525	Lt. Ind.	100%	December 9, 1997
Denver, PA	623,832	Bulk	100%	December 23, 1997
Northeast				
Long Island, NY	2,733,751	Bulk/Lt. Ind.	94%	January 31, 1997
New Jersey	697,778	Bulk/Lt. Ind.	96%	June 30, 1997
Oakland, NJ	52,402	Lt. Ind.	100%	July 11, 1997
New Jersey	75,000	Lt. Ind.	93%	July 18, 1997
New Jersey	458,666	Lt. Ind.	98%	July 31, 1997
New Jersey	110,000	Lt. Ind.	100%	August 1, 1997
New Jersey	118,750	Lt. Ind.	96%	August 29, 1997
New Jersey	117,108	Lt. Ind.	100%	August 29, 1997
Hicksville, NY	68,635	Lt. Ind.	89%	October 23, 1997
New Jersey	175,820	Bulk/Lt. Ind.	79%	December 5, 1997
Hicksville, NY	100,000	Lt. Ind.	100%	December 9, 1997
Hauppauge, NY	21,900	Lt. Ind.	0%	December 29, 1997
Ronkonkoma, NY	613,040	Lt. Ind.	94%	December 29, 1997
Gulf Coast				
Baton Rouge, LA	225,147	Bulk/Lt. Ind.	96%	December 9, 1997
Dallas, TX	1,570,530	Bulk/Lt. Ind.	99%	December 9, 1997
Houston, TX	2,127,045	Bulk/Lt. Ind.	99%	December 9, 1997
New Orleans, LA	557,453	Bulk/Lt. Ind.	89%	December 9, 1997
Shreveport, LA	50,000	Bulk	100%	December 9, 1997
Tampa, FL	153,377	Bulk	100%	December 9, 1997
Tampa, FL	919,841	Bulk/Lt. Ind.	92%	December 11, 1997
Houston, TX	346,819	Lt. Ind.	95%	December 23, 1997
Total	22,886,423			

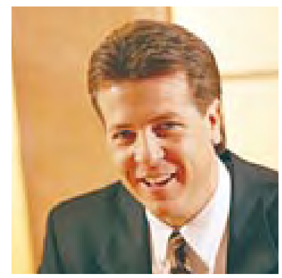
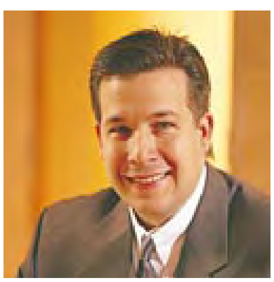
Corporate Officers and Management

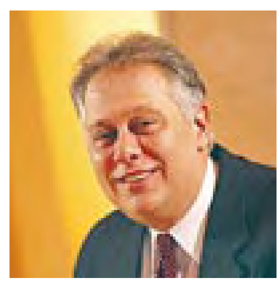
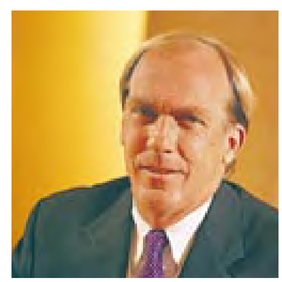








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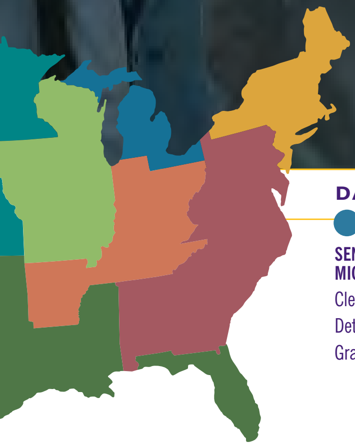

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† *Compensation Committee*
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10-K REPORT

A copy of the Company's Form 10-K as filed with the Securities and Exchange Commission may be obtained by writing to Vice President - Investor Relations, First Industrial Realty Trust, Inc.

ANNUAL MEETING

The Annual Meeting of Shareholders of First Industrial Realty Trust, Inc., will be held on Thursday, May 14, 1998 at 8:00 a.m. CDT, at 233 S. Wacker Drive, Chicago, IL (Sears Tower 33rd Floor, Lincoln Room)

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