



Look ahead. You'll like what we see.



The following five goals are the foundation



In writing First Industrial's plan for 2000, we established the following five goals:

1

**FOCUS ON THE TOP 25 INDUSTRIAL MARKETS
IN THE UNITED STATES**

2

**BUILD CUSTOMER AND SHAREHOLDER VALUE
THROUGH INTEGRATED INDUSTRIAL SOLUTIONS™**

3

MAINTAIN OUR SELF-FUNDING STRATEGY

4

ACHIEVE SOLID EARNINGS GROWTH

5

**CONTINUE TO EFFECTIVELY COMMUNICATE WITH
OUR SHAREHOLDERS AND CUSTOMERS**

Reaching these goals will help us achieve future success as we are better able to serve our customers, increase profitability and prepare for changes in the marketplace.

to First Industrial's plan for the year 2000.

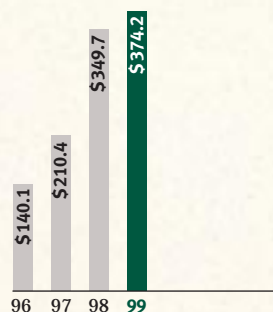
FINANCIAL HIGHLIGHTS

FINANCIAL <i>[In thousands for year ended December 31]</i>	1999	1998	1997
Total Revenues	\$ 374,155	\$ 349,702	\$ 210,417
Net Operating Income	275,160	250,218	150,655
Funds From Operations [FFO]	151,026	133,148	92,361
PROPERTY PORTFOLIO <i>[Owned and managed at year end]</i>			
Number of In-Service Properties	967	987	769
Gross Leasable Area	67,029,135	69,253,383	56,567,706
Occupancy Rate	95.5%	95.0%	95.6%
PER SHARE DATA ON COMMON STOCK			
Dividends Declared	\$ 2.42	\$ 2.19	\$ 2.05
Annualized Dividend	\$ 2.48	\$ 2.40	\$ 2.12
Funds From Operations [FFO]	\$ 3.33	\$ 3.01	\$ 2.57

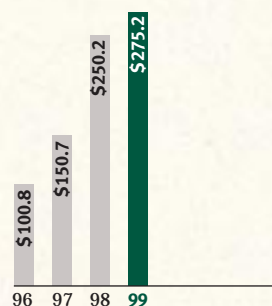


TO OUR SHAREHOLDERS:
WHEN WE LOOK AHEAD, WE SEE
OURSELVES WELL POSITIONED TO
BETTER SERVE OUR CUSTOMERS,
INCREASE PROFITABILITY AND
CAPITALIZE ON CHANGES IN THE
MARKETPLACE. WITH FIVE CLEAR GOALS
SUPPORTING THIS VISION,
WE LOOK FORWARD TO CONTINUING OUR
PROGRESS AND GROWTH.

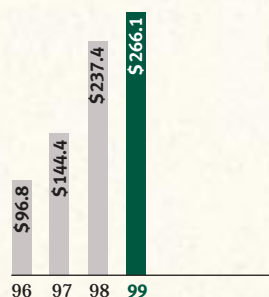
Reaching these goals will help us achieve



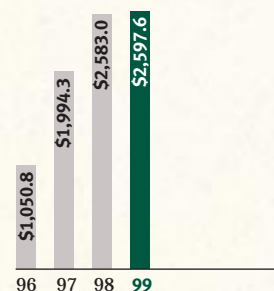
TOTAL REVENUES
[In millions]



NET OPERATING INCOME
[In millions]



EBITDA
[In millions]



REAL ESTATE ASSETS
[In millions]



future success as we're better able to serve

Looking back on 1999, First Industrial met or exceeded all key objectives we established at the beginning of the year, and once again achieved record results. Our earnings (Funds From Operations) grew by 10.6 percent during the year. We strengthened our balance sheet, improved the operating profits from our core portfolio and expanded the scope of our asset-reinvestment plan. We sold \$245.8 million of properties and land, and placed in service a record 3.1 million

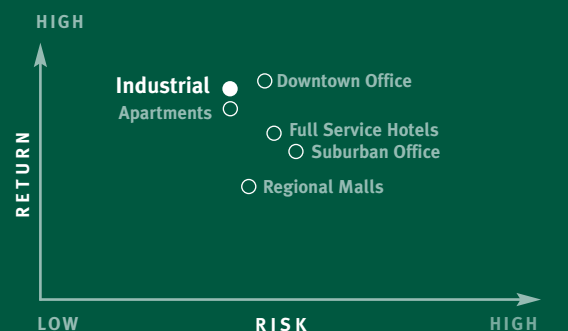
square feet of new development. We intensified our efforts to tell our story to investors and customers. And with regard to total shareholder return, we outperformed our peers. In a challenging equity market, total returns in the Morgan Stanley REIT Index were a negative 4.6 percent. Your investment in First Industrial's common stock yielded 12.4 percent. Our average annual return to shareholders over the past five years was a very strong 23.1%.



TOGETHER, OUR ACCOMPLISHMENTS
HAVE HELPED MAKE US
A RECOGNIZED LEADER
IN OUR INDUSTRY.

BUT THAT'S JUST THE FIRST STEP.
OUR OBJECTIVE NOW IS
TO BUILD OUR LEAD
BY UNDERSTANDING AND MEETING
THE NEEDS OF A RAPIDLY
CHANGING MARKETPLACE.

our customers, increase profitability, and



PROPERTY TYPE RETURN/RISK: 2000

[Source: *Emerging Trends in Real Estate 2000*,
Lend Lease Real Estate Investment and
PricewaterhouseCoopers]

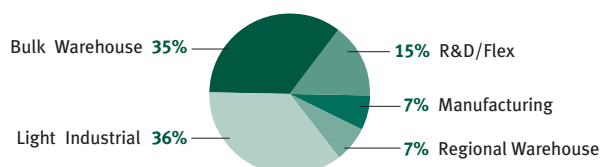
ELECTRONIC COMMERCE IS REVOLUTIONIZING NEARLY EVERY ASPECT OF AMERICAN BUSINESS, INCLUDING HOW CORPORATIONS USE THEIR REAL ESTATE. The application of information technology has improved the ability of firms to sell goods and services, which in turn has led to the creation of whole new types of companies. But while these new ventures may do business electronically, they still require industrial space, adding significantly to the level of demand. In fact, e-commerce companies bought or leased more new space than any other type of business in 1999. **WE ESTIMATE THAT OUT OF THE 175 MILLION SQUARE FEET OF TOTAL INDUSTRIAL REAL ESTATE ABSORPTION, 20 MILLION SQUARE FEET WAS TAKEN FOR E-COMMERCE USE.** First Industrial has the opportunity to help these businesses sell their products over the Internet from our warehouses, distribution centers and assembly facilities — rather than from retail shelves. We can be the stockroom for e-commerce companies in major markets across the country.

THE ABILITY OF CORPORATIONS TO MANAGE LARGE AMOUNTS OF DATA, ALONG WITH NEW DEMANDS FOR INCREASED SPEED AND GREATER PRODUCTIVITY, HAS ALSO BROUGHT HUGE CHANGES IN BUSINESS SUPPLY CHAINS. Since the mid-1990s, a growing number of companies have begun to examine every aspect of how they handle their materials and products, including procurement, manufacturing, distribution and shipment to the customer. Once analyzed, supply chains are often reconfigured to speed products to customers and keep inventories in motion, which creates new demand for every type of industrial facility. The five broad categories of industrial facility types are light industrial, bulk warehouse, R&D/flex, manufacturing and regional warehouse. **BECAUSE FIRST INDUSTRIAL IS THE ONLY NATIONAL COMPANY THAT OWNS AND DEVELOPS MULTIPLE INDUSTRIAL FACILITY TYPES, WE ARE UNIQUELY POSITIONED TO BENEFIT FROM THIS NEW DEMAND.**

prepare for changes in the marketplace.

FIRST INDUSTRIAL'S FACILITY DIVERSIFICATION

[By base rent as of 12/31/99]



More than any other real estate company, First Industrial has what it takes to capitalize on these opportunities. That's because we are the only company to have, as we refer to it, the **I-N-D-L** strategy: a pure **I**ndustrial focus, a **N**ational scope, a **D**iversified portfolio of industrial facilities and full-service **L**ocal management in our major geographic markets. We focus exclusively on industrial real estate — and we give it everything we have. We work to provide our customers the range of facilities and the geographic coverage required to provide high-value solutions for their industrial real estate requirements. Strong, entrepreneurial, full-service offices throughout the country help us identify new opportunities and control our risks.

WE PLAN ON SUCCESSFULLY REACHING OUR FIVE BROAD OBJECTIVES IN THE YEAR 2000 BY:

- Concentrating on the top 25 U.S. industrial markets.
- Building our value by providing Integrated Industrial Solutions.™
- Funding our growth solely through internally generated funds.
- Achieving solid earnings growth.
- Continuing to effectively communicate with our investors and customers.

Achieving these five goals will help us better serve our customers, increase our profitability and extend our leadership in a dynamic, growing industrial real estate market. Because they are so important to First Industrial's future, I'd like to discuss them in more detail.

1. Focus on the top 25 industrial

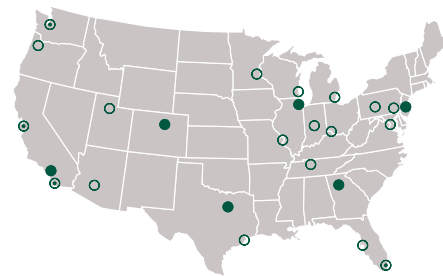




FIRST INDUSTRIAL PRESENCE IN THE TOP 25 U.S. INDUSTRIAL REAL ESTATE MARKETS

● Major Market ○ Core Market ◎ Target Market

- | | |
|---------------------------|-----------------------|
| ● Atlanta | ○ Minneapolis |
| ○ Baltimore/Washington DC | ○ Nashville |
| ● Chicago | ● Northern New Jersey |
| ○ Cincinnati/Louisville | ○ Philadelphia |
| ● Dallas/Fort Worth | ○ Phoenix |
| ● Denver | ○ Portland |
| ○ Detroit | ○ Salt Lake City |
| ○ Harrisburg/Central PA | ◎ San Diego |
| ○ Houston | ◎ San Francisco |
| ○ Indianapolis | ◎ Seattle |
| ● Los Angeles | ○ St. Louis |
| ◎ Miami | ○ Tampa |
| ○ Milwaukee | |



1 FOCUS ON THE TOP 25 INDUSTRIAL MARKETS IN THE UNITED STATES

In order to provide more comprehensive, nationwide service to large corporations, meet our customers' changing logistics needs and gain the "critical mass" required to operate most effectively, we plan to focus on the top 25 markets across the country. In September 1999, we entered the Los Angeles market with the acquisition of a 39-property, 1.2 million-square foot portfolio. The investment already is producing a solid return and helping us offer more to our customers. It is the second portfolio of properties we have purchased with The Carlyle Group, a highly respected global private equity firm.

markets in the United States.





2. Build customer and shareholder value

BUILD CUSTOMER AND SHAREHOLDER VALUE THROUGH INTEGRATED INDUSTRIAL SOLUTIONS™

Our focus on the nation's top 25 markets improves our ability to offer our customers Integrated Industrial Solutions™, or IIS™. We want to offer our corporate clients comprehensive industrial facility solutions, across multiple property types and locations. We want to apply our combined expertise in acquisitions, development and redevelopment to offer a well-coordinated response to the changes in our marketplace.

Introduced to our larger corporate customers in late 1999, IIS™ already is proving its vital strategic importance. It has helped us earn a variety of new projects, including the construction of a 390,000 square foot facility for General Motors, an 800,000 square foot facility for Tenneco Packaging, and a 490,000 square foot facility for Tractor Supply.

IIS™ allows us to help our customers develop new supply-chain solutions. Additionally, IIS™ provides us a unique operating advantage in meeting the needs of e-commerce companies, as evidenced by the recent completion of an 800,000 square foot facility for Amazon.com, their largest ever.

What's more, Integrated Industrial Solutions™ will help us maintain our industry-leading customer-retention rates. At the end of 1999, average occupancy for our 67 million square foot portfolio was 95.5 percent, and customers renewed their leases on 75 percent of the space that came up for renewal during the year. The quality of our properties, combined with the overall strength of the market, resulted in record rental rate increases of 7.3 percent.

Our ability to deliver Integrated Industrial Solutions™ will play an even larger role in our future growth, thanks in large part to our newly established IIS™ Advisory Board, which will be composed of representatives from a number of our leading customers and related industries.

PARTIAL LIST OF IIS™ CUSTOMERS

Alliant Food Service	Lasermaster
Amana	Lear Corporation
Amazon.com	Little Caesar's
Anheuser-Busch	Lockheed-Martin
AT&T	Lucent Technologies
Best Buy	McKesson
DHL	Motorola
Exel Logistics	MSX International Engineering
FedEx	NCR Corporation
Gannett Satellite Information Network	Neodata/EDS
GATX Logistics	Newsday
General Electric	Seagram's
General Medical	Sears Roebuck & Company
International Paper	Shaw Industries
ITT Corporation	Tenneco
J.C. Penney	Tractor Supply
Johnson Controls	Tribune Company

through Integrated Industrial Solutions.™



MAINTAIN OUR SELF-FUNDING STRATEGY

As our balance sheet shows, we are committed to strong operations and conservative financial management. In 1999, while other REITs were increasing their debt, we reduced our debt by \$44.3 million. In addition, we increased our fixed-charge coverage ratio to 2.4 in the fourth quarter of 1999 compared to 2.2 in the fourth quarter of 1998. A strong balance sheet is important because it supports continued growth. Both our debt and our preferred stock have investment grade ratings from all four rating agencies, as shown below.

FIRST INDUSTRIAL REALTY TRUST, INC. INVESTMENT GRADE RATINGS

<i>Rating Agency</i>	<i>Senior Unsecured Debt</i>	<i>Cumulative Preferred Stock</i>
Standard & Poor's Ratings Group.....	BBB	BBB-
Moody's Investors Service	Baa2	Baa3
Duff & Phelp's Credit Rating Co.	BBB	BBB-
Fitch IBCA.....	BBB+	BBB

We intend to continue growing without relying on additional public capital. Our ongoing property-sales program allows us to generate funds internally and to maintain and improve the quality of our assets. To further improve our portfolio and provide funding for new development projects and acquisitions, we sold \$245.8 million in properties and land in 1999. As of December 31, 1999 we had a record \$230 million of new development projects either underway or in our pipeline. And, highlighting the success of our acquisition program, we earned an average 17.1 percent internal rate of return on acquisition investments.

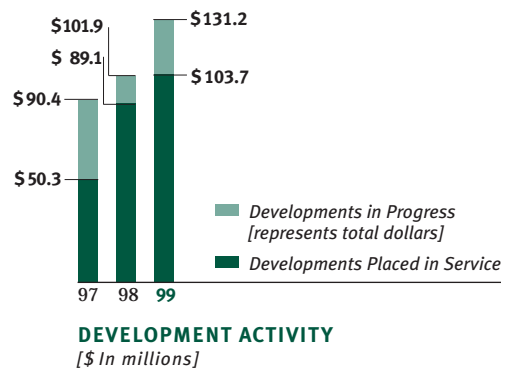
3. Maintain our self-funding strategy.





SALES ACTIVITY [*\$ in millions*]

<i>Properties and Land</i>	<i>Square Feet</i>	<i>Gross Proceeds</i>
1996	420,088	\$ 16.4
1997	833,150	\$ 33.7
1998	2,047,857	\$ 99.9
1999	6,194,171	\$245.8



4. Achieve solid earnings growth.



ACHIEVE SOLID EARNINGS GROWTH

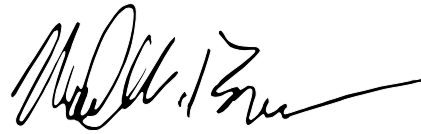
We plan to continue increasing our revenues and earnings. Revenues in 1999 increased 7.0 percent, while Funds From Operations (FFO), the industry's standard measure of earnings, increased by 10.6 percent, or \$.32 per share, to \$3.33. Our FFO payout ratio (dividends per share divided by FFO per share) continued its favorable downward trend to 71.1 percent for the quarter just ended. We recently announced an increase in our dividends for common shareholders, the fifth increase in five years, to \$2.48 per share annually, up from \$2.40 per share annually in 1999.

CONTINUE TO EFFECTIVELY COMMUNICATE WITH OUR SHAREHOLDERS AND CUSTOMERS

Our company has a unique competitive advantage in the rapidly expanding areas of e-commerce and supply-chain management, and we want our investors to know about it. As we have moved ahead, we have placed an even greater emphasis on clearly and consistently communicating our services, strategies and performance. We are pleased that our many meetings with investors and other audiences have brought a more diversified shareholder base and a greater understanding of the benefits we offer. We have the opportunities, the strategies, the goals and the resources and are confident that both our customers and the public equity markets will recognize and value our stability, prospects and strength.

I would like to thank our shareholders, customers and employees for their support and confidence. I also would like to express my appreciation to our Board of Directors, and to welcome W. Ed Tyler, President and Chief Executive Officer of the Moore Corporation, to our Board.

Look ahead. You'll like what we see. We are the leader in the largest and most stable of all commercial real estate sectors — one in which demand is expected to grow. Our geographic reach and diversified portfolio of properties help us serve our customers and manage our risks. Our unique ability to offer Integrated Industrial Solutions™ helps build strong relationships with many of America's largest and best-known companies. A strong balance sheet ensures that we have the resources to acquire and develop new properties in attractive markets. And as Corporate America explores the frontiers of speed, efficiency and new ways of doing business, we will be there with the full spectrum of industrial facilities they need to grow. I look forward to sharing more good news with all of you in the months and years to come.



MICHAEL W. BRENNAN
President and Chief Executive Officer

March 15, 2000

5. Continue to effectively communicate



with our shareholders and customers.

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SELECTED FINANCIAL AND OPERATING DATA

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

	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
STATEMENTS OF OPERATIONS DATA:					
Total Revenues	\$ 374,155	\$ 349,702	\$ 223,203	\$ 140,055	\$ 106,486
Property Expenses	[98,995]	[99,484]	[59,762]	[39,224]	[28,302]
General & Administrative Expense	[13,259]	[12,983]	[6,248]	[4,018]	[3,135]
Interest Expense	[79,869]	[71,833]	[49,859]	[28,954]	[28,591]
Amortization of Interest Rate Protection					
Agreements and Deferred Financing Costs	[1,362]	[917]	[2,812]	[3,286]	[4,438]
Depreciation and Other Amortization	[68,412]	[63,805]	[39,573]	[28,049]	[22,264]
Equity in Income of Joint Ventures	302	45	0	0	0
Income Allocated to Minority Interest	[17,609]	[7,961]	[5,312]	[2,931]	[997]
Disposition of Interest Rate Protection					
Agreements [A]	0	[8,475]	1,430	0	[6,410]
Restructuring and Abandoned Pursuit					
Costs Charge [B]	0	[11,941]	0	0	0
Gain on Sales of Properties	29,797	5,349	5,003	4,344	0
Income Before Extraordinary Loss and Cumulative					
Effect of Change in Accounting Principle	124,748	77,697	66,070	37,937	12,349
Extraordinary Loss [C]	0	0	[14,124]	[2,273]	0
Cumulative Effect of Change in					
Accounting Principle [D]	0	[1,976]	0	0	0
Net Income	\$ 124,748	\$ 75,721	\$ 51,946	\$ 35,664	\$ 12,349
Preferred Stock Dividends	[32,844]	[30,610]	[11,856]	[3,919]	[468]
Net Income Available to Common Stockholders	\$ 91,904	\$ 45,111	\$ 40,090	\$ 31,745	\$ 11,881
Net Income Available to Common Stockholders					
Before Extraordinary Loss and Cumulative Effect					
of Change in Accounting Principle Per Weighted					
Average Common Share Outstanding:					
Basic	\$ 2.42	\$ 1.26	\$ 1.72	\$ 1.37	\$.63
Diluted	\$ 2.41	\$ 1.25	\$ 1.70	\$ 1.37	\$.63
Net Income Available to Common Stockholders Per					
Weighted Average Common Share Outstanding:					
Basic	\$ 2.42	\$ 1.20	\$ 1.27	\$ 1.28	\$.63
Diluted	\$ 2.41	\$ 1.20	\$ 1.26	\$ 1.28	\$.63
Distributions Per Share	\$ 2.420	\$ 2.190	\$ 2.045	\$ 1.9675	\$ 1.905
Weighted Average Number of Common					
Shares Outstanding:					
Basic	38,042	37,445	31,508	24,756	18,889
Diluted	38,144	37,627	31,814	24,842	18,889
BALANCE SHEET DATA (END OF PERIOD):					
Real Estate, Before Accumulated Depreciation	\$ 2,597,592	\$ 2,583,033	\$ 1,994,346	\$ 1,050,779	\$ 757,516
Real Estate, After Accumulated Depreciation	2,386,136	2,407,147	1,873,316	959,322	688,767
Total Assets	2,526,963	2,554,462	2,272,163	1,022,600	753,904
Mortgage Loans, Net, Acquisition Facilities Payable,					
Senior Unsecured Debt, Net, Construction					
Loans and Promissory Notes Payable	1,147,639	1,191,882	879,592	406,401	399,958
Defeased Mortgage Loan Payable	0	0	300,000	0	0
Total Liabilities	1,276,763	1,310,518	1,266,079	447,178	426,972
Stockholders' Equity	1,059,226	1,054,776	854,590	532,561	306,023
OTHER DATA:					
Cash Flows From Operating Activities	\$ 176,897	\$ 149,096	\$ 102,635	\$ 62,621	\$ 38,541
Cash Flows From Investing Activities	[10,040]	[535,554]	[805,505]	[240,571]	[84,159]
Cash Flows From Financing Activities	[186,071]	395,059	708,446	176,677	45,420
Funds From Operations ("FFO") [E]	151,026	133,148	92,361	60,546	41,428
Ratio of Earnings to Fixed Charges and					
Preferred Stock Dividends [F]	1.62x	1.62x	1.79x	1.88x	1.56x
Total Properties [G]	967	987	769	379	271
Total GLA, in Square Feet [G]	67,029,135	69,253,383	56,567,706	32,700,069	22,562,755
Occupancy Percentage [G]	96%	95%	96%	97%	97%

SELECTED FINANCIAL AND OPERATING DATA

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

- [A] In conjunction with obtaining a \$300.0 million mortgage loan on June 30, 1994 (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. 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") which 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 approximately \$6.4 million. On May 16, 1997, the Company sold the 1995 Interest Rate Protection Agreements, resulting in a gain of approximately \$1.4 million. The \$8.5 million loss on disposition of interest rate protection agreements for the year ended December 31, 1998 represents the Company's settlement, through the Operating Partnership, of an interest rate protection agreement that was scheduled to expire on January 4, 1999. This agreement was entered into in December 1997 in anticipation of 1998 senior unsecured debt offerings. Due to the changing market conditions and the Company's expectation that it would not issue debt securities associated with the interest rate protection agreement, the Company settled its position in the interest rate protection agreement.
- [B] Represents a restructuring charge of \$6.9 million relating to severance costs (of which \$1.2 million is non-cash relating to immediate vesting of restricted stock) and \$5.0 million in costs relating to abandoned acquisitions.
- [C] 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.
- [D] In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). SOP 98-5 requires that the net unamortized balance of all start-up costs and organizational costs be written off as a cumulative effect of a change in accounting principle and all future start-up costs and organizational costs be expensed. Consistent with SOP 98-5, in the second quarter of 1998, the Company reported a cumulative effect of a change in accounting principle in the amount of approximately \$2.0 million to reflect the write-off of the unamortized balance of organizational costs on the Company's balance sheet.

SELECTED FINANCIAL AND OPERATING DATA

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

[E] Management considers funds from operations ("FFO") 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. The Company calculates FFO to be equal to net income, excluding gains (or losses) from debt restructuring and sales of depreciated property (the Company includes in FFO the gain from sales of land and sale of undepreciated property related to the Company's Integrated Industrial Solutions™ activities), plus depreciation and amortization, excluding amortization of deferred financing costs and interest rate protection agreements, and after adjustments for unconsolidated partnerships and joint ventures. FFO 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. FFO 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. FFO 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 FFO:

	THE COMPANY				
	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97	Year Ended 12/31/96	Year Ended 12/31/95
Net Income Available to Common Stockholders	\$ 91,904	\$ 45,111	\$ 40,090	\$ 31,745	\$ 11,881
Adjustments:					
Depreciation and Other Amortization	67,382	62,935	39,268	27,941	22,140
Equity in Depreciation and Other Amortization of Joint Venture	755	98	o	o	o
Cumulative Effect of Change in Accounting Principle	o	1,976	o	o	o
Restructuring and Abandoned Pursuit Costs Charge	o	11,941	o	o	o
Disposition of Interest Rate Protection Agreement	o	8,475	[1,430]	o	6,410
Gain on Sales of Properties	[29,797]	[5,349]	[5,003]	[4,344]	o
Gain from Sales of Land and Sale of Undepreciated Property	3,173	o	o	o	o
Extraordinary Items	o	o	14,124	2,273	o
Minority Interest	17,609	7,961	5,312	2,931	997
Funds From Operations	\$151,026	\$133,148	\$ 92,361	\$ 60,546	\$ 41,428

[F] 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 before extraordinary loss, cumulative effect of change in accounting principle, gain on sales of properties, restructuring and abandoned pursuit costs charge, disposition of interest rate protection agreement and income allocated to minority interest. Fixed charges consist of interest costs, whether expensed or capitalized, and amortization of interest rate protection agreement(s) and deferred financing costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

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 (the "Company") began operations on July 1, 1994. The Company's operations are conducted primarily through First Industrial, L.P. (the "Operating Partnership") of which the Company is the sole general partner. The Company is the sole stockholder of First Industrial Finance Corporation, First Industrial Pennsylvania Corporation, First Industrial Harrisburg Corporation, First Industrial Securities Corporation, First Industrial Mortgage Corporation, First Industrial Indianapolis Corporation, FI Development Services Corporation and First Industrial Florida Finance Corporation, which are the sole general partners of First Industrial Financing Partnership, L.P. (the "Financing Partnership"), First Industrial Pennsylvania, L.P. (the "Pennsylvania Partnership"), First Industrial Harrisburg, L.P. (the "Harrisburg Partnership"), First Industrial Securities, L.P. (the "Securities Partnership"), First Industrial Mortgage Partnership, L.P. (the "Mortgage Partnership"), First Industrial Indianapolis, L.P. (the "Indianapolis Partnership"), First Industrial Development Services, L.P. and TK-SV, LTD., 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, First Industrial Development Services, L.P. and TK-SV, LTD. The Operating Partnership is also the sole member of limited liability companies, and the majority economic stockholder of First Industrial Enterprises of Michigan, Inc. and FR Development Services, Inc. The Company, through separate wholly-owned limited liability companies in which the Operating Partnership is the sole member, also owns 10% equity interests in, and provides asset and property management services to, two joint ventures which invest in industrial properties.

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 1999 to Year Ended December 31, 1998

At December 31, 1999, the Company owned 967 in-service properties with approximately 67.0 million square feet of gross leasable area ("GLA"), compared to 988 in-service properties with approximately 69.4 million square feet of GLA at December 31, 1998. During 1999, the Company acquired 19 in-service properties containing approximately 1.4 million square feet of GLA and two properties under redevelopment, completed development of 19 properties and expansion of one property totaling approximately 3.1 million square feet of GLA and sold 56 properties totaling approximately 6.2 million square feet of GLA and several land parcels. The Company also took three properties out of service that are under redevelopment, comprising approximately .7 million square feet of GLA.

Rental income and tenant recoveries and other income increased by approximately \$24.5 million or 7.0% due primarily to an increase in average GLA for the year ended December 31, 1999 as compared to the year ended December 31, 1998 and an increase in same store revenue. Also, approximately

\$1.5 million of this increase is due to additional acquisition, asset management and property management fees received from a joint venture entered into in September 1998 with an institutional investor (the "September 1998 Joint Venture") and the September 1999 Joint Venture (hereinafter defined) in fiscal year 1999. Rental income and tenant recoveries and other income from properties owned prior to January 1, 1998, increased by approximately \$7.7 million or 3.1% due primarily to rental rate increases and an increase in tenant recovery income charges related to the increase in operating expenses as discussed below.

Property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses, decreased by approximately \$.5 million or .5% due primarily to a decrease in property management expense and a decrease in other expenses, offset by an increase in real estate taxes, repairs and maintenance and utilities expense due to an increase in average GLA for the year ended December 31, 1999 as compared to the year ended December 31, 1998. The majority of the decrease in property management expense is due to a decrease in the operational costs of the regional offices that manage the Company's properties primarily due to a

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

reduced employee headcount. The majority of the decrease in other expense is due to a decrease in the provision for bad debts. Expenses from properties owned prior to January 1, 1998, increased by approximately \$.6 million or .9% due primarily to an increase in snow removal and related expenses incurred during the year ended December 31, 1999 as compared to the year ended December 31, 1998 for properties located in certain of the Company's metropolitan areas.

General and administrative expense increased by approximately \$.3 million due primarily to the adoption of Emerging Issues Task Force Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Acquisitions" ("EITF 97-11"). EITF 97-11, effective March 19, 1998, required that internal costs of preacquisition activities incurred in connection with the acquisition of an operating property be expensed as incurred. Prior to March 19, 1998, the Company capitalized internal costs of preacquisition activities incurred in connection with the acquisition of operating properties.

Interest expense increased by approximately \$8.0 million for the year ended December 31, 1999 compared to the year ended December 31, 1998 due primarily to a higher average debt balance outstanding resulting from the issuance of unsecured debt to fund the acquisition and development of additional properties, slightly offset by an increase in capitalized interest for the year ended December 31, 1999 due to an increase in development activities. The average debt balances outstanding for the years ended December 31, 1999 and 1998 were approximately \$1.2 billion and \$1.1 billion, respectively.

Amortization of deferred financing costs increased by approximately \$.5 million due primarily to amortization of deferred financing costs relating to the issuance of additional senior unsecured debt to fund the acquisition and development of additional properties.

Depreciation and other amortization increased by approximately \$4.6 million due primarily to the additional depreciation and amortization related to the properties acquired or developed after December 31, 1997.

The \$11.9 million restructuring and abandoned pursuit costs charge for the year ended December 31, 1998 represents a charge in connection with the Company's restructuring, including approximately \$6.9 million in severance costs (of which approximately \$1.2 million is non-cash relating to immediate vesting of restricted stock) and approximately \$5.0 million in costs related to abandoned acquisitions.

Equity in income of joint ventures increased by approximately \$.3 million for the year ended December 31, 1999 compared to the year ended December 31, 1998. This increase is due to a full year of operations of the September 1998 Joint Venture in 1999 as opposed to a partial year of operations in 1998 and the start-up of the September 1999 Joint Venture (hereinafter defined).

The \$8.5 million loss on disposition of interest rate protection agreements for the year ended December 31, 1998 represents the Company's settlement, through the Operating Partnership, of an interest rate protection agreement which was scheduled to expire on January 4, 1999. This agreement was entered into in December 1997 in anticipation of 1998 senior unsecured debt offerings. Due to the changing market conditions and the Company's expectation that it would not issue debt securities associated with the interest rate protection agreement, the Company settled its position in the interest rate protection agreement.

The \$29.8 million gain on sales of properties for the year ended December 31, 1999 resulted from the sale of 56 industrial properties and several land parcels. Gross proceeds from these sales were approximately \$245.8 million.

The \$5.3 million gain on sales of properties for the year ended December 31, 1998 resulted from the sale of 41 industrial properties and several land parcels. Gross proceeds from these sales were approximately \$99.9 million.

The \$2.0 million cumulative effect of change in accounting principle for the year ended December 31, 1998 is the result of the write-off of the unamortized balance of organizational costs on the Company's balance sheet due to the early adoption of Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5"). SOP 98-5 requires that the net unamortized balance of all start-up costs and organizational costs be written off as a cumulative effect of a change in accounting principle and all future start-up costs and organizational costs be expensed.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 1998 to Year Ended December 31, 1997

At December 31, 1998, the Company owned 988 in-service properties containing approximately 69.4 million square feet of GLA, compared to 770 in-service properties with approximately 56.5 million square feet of GLA at December 31, 1997. During 1998, the Company acquired 247 properties containing approximately 12.3 million square feet of GLA, completed development of 12 properties and expansions of two properties totaling approximately 2.6 million square feet of GLA and sold 41 in-service properties totaling approximately 2.0 million square feet of GLA and several land parcels.

Rental income and tenant recoveries and other income increased by approximately \$139.3 million or 66.2% due primarily to the properties acquired or developed after December 31, 1996 (between January 1, 1997 and December 31, 1998, the Company acquired approximately \$1.4 billion of industrial properties). Revenues from properties owned prior to January 1, 1997 increased in 1998 over 1997 by approximately \$2.2 million or 1.5% due primarily to increased rental rates upon renewal or replacement of tenant leases offset by a decrease in tenant recovery income charges related to the decrease in operating expenses as discussed below.

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 Company's \$300.0 million mortgage loan (the "1994 Defeased Mortgage Loan").

Property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses, increased by approximately \$39.7 million or 66.5% due primarily to the properties acquired or developed after December 31, 1996 (between January 1, 1997 and December 31, 1998, the Company acquired approximately \$1.4 billion of industrial properties). Expenses from properties owned prior to January 1, 1997, decreased by approximately \$.5 million or 1.1% due primarily to a decrease in snow removal and related expenses incurred for properties located in certain of the Company's metropolitan areas during the year ended December 31, 1998 as compared to the year ended December 31, 1997.

General and administrative expense increased by approximately \$6.7 million, of which, approximately \$4.0 million is due primarily to the additional expenses associated with managing the Company's growing operations including additional professional fees relating to additional properties owned and additional personnel to manage and expand the Company's business. Approximately \$2.7 million of the increase is the result of the adoption of EITF 97-11, which required that internal costs of preacquisition activities incurred in connection with the acquisition of an operating property be expensed as incurred. Prior to March 19, 1998, the Company capitalized internal costs of preacquisition activities incurred in connection with the acquisition of operating properties.

Interest expense increased by approximately \$22.0 million for the year ended December 31, 1998 compared to the year ended December 31, 1997 due primarily to a higher average debt balance outstanding resulting from the issuance of unsecured debt to fund the acquisition and development of additional properties (between January 1, 1997 and December 31, 1998, the Company acquired approximately \$1.4 billion of industrial properties). The average debt balances outstanding for the years ended December 31, 1998 and 1997 were approximately \$1.1 billion and \$.8 billion, respectively.

Amortization of interest rate protection agreements and deferred financing costs decreased by approximately \$1.9 million due primarily to the full amortization of the deferred financing costs relating to the Company's 1994 Defeased Mortgage Loan which was paid off and retired on January 2, 1998, offset by additional amortization of deferred financing costs relating to the issuance of senior unsecured debt.

Depreciation and other amortization increased by approximately \$24.2 million due primarily to the additional depreciation and amortization related to the properties acquired or developed after December 31, 1996 (between January 1, 1997 and December 31, 1998, the Company acquired approximately \$1.4 billion of industrial properties).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The \$11.9 million restructuring and abandoned pursuit costs charge for the year ended December 31, 1998 represents a charge in connection with the Company's restructuring, including approximately \$6.9 million in severance costs (of which approximately \$1.2 million is non-cash relating to immediate vesting of restricted stock) and approximately \$5.0 million in costs related to abandoned acquisitions.

Equity in income of joint venture of approximately \$.05 million for the year ended December 31, 1998 represents the Company's 10% equity interest in the income of the September 1998 Joint Venture.

The \$8.5 million loss on disposition of interest rate protection agreements for the year ended December 31, 1998 represents the Company's settlement, through the Operating Partnership, of an interest rate protection agreement which was scheduled to expire on January 4, 1999. This agreement was entered into in December 1997 in anticipation of 1998 senior unsecured debt offerings. Due to the changing market conditions and the Company's expectation that it would not issue debt securities associated with the interest rate protection agreement, the Company settled its position in the interest rate protection agreement.

The \$1.4 million gain on disposition of interest rate protection agreements for the year ended December 31, 1997 represents the sale of the Company's interest rate protection agreements in April 1997. These agreements were entered into in July 1995 and effectively fixed the annual interest rate on the 1994 Defeased Mortgage Loan at 6.97% for six years through June 30, 2001.

The \$5.3 million gain on sales of properties for the year ended December 31, 1998 resulted from the sale of 41 properties and several parcels of land. Gross proceeds for these property sales totaled approximately \$99.9 million.

The \$5.0 million gain on sales of properties for the year ended December 31, 1997 resulted from the sale of ten in-service properties, one property held for redevelopment and several parcels of land. Gross proceeds for these property sales totaled approximately \$33.7 million.

The \$14.1 million extraordinary loss for the year ended December 31, 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.

The \$2.0 million cumulative effect of change in accounting principle for the year ended December 31, 1998 is the result of the write-off of the unamortized balance of organizational costs on the Company's balance sheet due to the early adoption of SOP 98-5.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999, the Company's cash and cash equivalents was approximately \$2.6 million and restricted cash was approximately \$2.4 million. Included in restricted cash are approximately \$1.4 million of cash reserves required to be set aside under the Company's \$40.0 million mortgage loan (the "1995 Mortgage Loan") for payments of security deposit refunds, tenant improvements, capital expenditures, interest, real estate taxes and insurance. The portion of the cash reserve relating to payments for capital expenditures, interest, real estate taxes and insurance for properties collateralizing the 1995 Mortgage Loan 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. The portion of the cash reserve relating to security deposit refunds for the tenants occupying the properties collateralizing the 1995 Mortgage Loan is adjusted as tenants turn over. Also included in restricted cash is approximately \$1.0 million of gross proceeds from the sales of certain properties. These sales proceeds will be disbursed as the Company exchanges into properties under Section 1031 of the Internal Revenue Code.

In March 2000, the Company's Board of Directors approved the repurchase of up to \$100 million of the Company's common stock. The Company will make purchases from time to time, if price levels warrant, in the open market or in privately negotiated transactions. Stock repurchases will be funded from internally generated funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year Ended December 31, 1999

Net cash provided by operating activities of approximately \$176.9 million for the year ended December 31, 1999 was comprised primarily of net income before minority interest of approximately \$142.4 million and adjustments for non-cash items of approximately \$36.0 million, offset by the net change in operating assets and liabilities of approximately \$1.5 million. The adjustments for the non-cash items of approximately \$36.0 million are primarily comprised of depreciation and amortization of \$69.8 million, offset by the gain on sales of properties of \$29.8 million and the effect of the straight-lining of rental income of \$4.0 million.

Net cash used in investing activities of approximately \$10.0 million for the year ended December 31, 1999 was comprised primarily of the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate, investment in the September 1998 Joint Venture and the September 1999 Joint Venture (hereinafter defined) and the funding of mortgage loans receivable, offset by the net proceeds from the sales of real estate, distributions from the September 1998 Joint Venture, a decrease in restricted cash due to a reimbursement from one of the Company's escrows with a lender established for deferred maintenance, a decrease in restricted cash due to the use of restricted cash to purchase properties to effect Section 1031 exchanges and the repayment of mortgage loans receivable.

Net cash used in financing activities of approximately \$186.1 million for the year ended December 31, 1999 was comprised primarily of repayments on mortgage loans payable, common and preferred stock dividends and unit distributions and the net repayments under the Company's \$300 million unsecured revolving credit facility (the "1997 Unsecured Acquisition Facility"), offset by proceeds from the exercise of employee stock options.

Year Ended December 31, 1998

Net cash provided by operating activities of approximately \$149.1 million for the year ended December 31, 1998 was comprised primarily of net income before minority interest of approximately \$83.7 million and adjustments for non-cash items of approximately \$59.0 million and the net change in operating assets and liabilities of approximately \$6.4 million. The adjustments for the non-cash items of approximately \$59.0 million are primarily comprised of depreciation and amortization of \$66.5 million, a provision for bad debts of \$.6 million and the cumulative effect of a change in accounting principle of \$2.0 million due to the adoption of SOP 98-5, offset by the gain on sales of properties of \$5.4 million and the effect of the straight-lining of rental income of \$4.7 million.

Net cash used in investing activities of approximately \$535.6 million for the year ended December 31, 1998 was comprised primarily of the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate, investment in the September 1998 Joint Venture and an increase in restricted cash from sales proceeds deposited with an intermediary for Section 1031 exchange purposes, offset by the net proceeds from the sales of real estate and the repayment of mortgage loans receivable.

Net cash provided by financing activities of approximately \$395.1 million for the year ended December 31, 1998 was comprised primarily of the net proceeds from the issuance of common stock, preferred stock and senior unsecured debt, proceeds from the exercise of employee stock options, net borrowings under the 1997 Unsecured Acquisition Facility and a decrease in restricted cash which was used to pay down and retire the 1994 Defeased Mortgage Loan, offset by repayments of mortgage loans and common and preferred stock dividends and unit distributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Year Ended December 31, 1997

Net cash provided by operating activities of approximately \$102.6 million for the year ended December 31, 1997 was comprised primarily of net income before minority interest of approximately \$57.3 million and adjustments for non-cash items of approximately \$48.9 million, offset by the net change in operating assets and liabilities of approximately \$3.6 million. The adjustments for the non-cash items of approximately \$48.9 million are primarily comprised of depreciation and amortization of \$42.4 million, extraordinary loss of \$14.1 million and a provision for bad debts of \$.9 million, offset by the gain on disposition of interest rate protection agreements of \$1.4 million, the gain on sales of properties of \$5.0 million and the effect of the straight-lining of rental income of \$2.1 million.

Net cash used in investing activities of approximately \$805.5 million for the year ended December 31, 1997 was comprised primarily of the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate and the funding of mortgage loans receivable, offset by the net proceeds from the sales of real estate, a decrease in restricted cash due to the use of restricted cash to purchase properties to effect Section 1031 exchanges and repayment of mortgage loans receivable.

Net cash provided by financing activities of approximately \$708.4 million for the year ended December 31, 1997 was comprised primarily of the net proceeds from the issuance of common stock, preferred stock and senior unsecured debt, proceeds from the exercise of employee stock options, net borrowings under the Company's unsecured revolving credit facilities and proceeds from the sale of interest rate protection agreements, offset by repayments of unsecured debt, promissory notes payable and mortgage loans payable, the purchase of U.S. Government securities to defease the 1994 Defeased Mortgage Loan and common and preferred stock dividends and unit distributions.

Funds From Operations and Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

Funds from operations increased by approximately \$17.9 million or 13.4% in 1999 compared to 1998 and increased by approximately \$40.8 million or 44.2% in 1998 compared to 1997 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. The Company calculates funds from operations to be equal to net income, excluding gains (or losses) from debt restructuring and sales of depreciated property (the Company includes in funds from operations the gain from sales of land and sale of undepreciated property related to the Company's Integrated Industrial Solutions™ activities), 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 ratio of earnings to fixed charges and preferred stock dividends was 1.62 for the years ended December 31, 1999 and December 31, 1998 and 1.79 for the year ended December 31, 1997. The decrease in the earnings to fixed charges and preferred stock dividends between fiscal years 1998 and 1997 is primarily due to additional interest expense and preferred stock dividends incurred in fiscal year 1998 from additional debt and preferred stock issued to fund property acquisitions and developments, which is partially offset by higher net operating income from the property acquisitions as discussed in "Results of Operations" above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Segment Reporting

In June 1997, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information". This statement 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. Management views the Company as a single segment.

Market Risk

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

This analysis presents the hypothetical gain or loss in earnings, cash flows or fair value of the financial instruments and derivative instruments which are held by the Company at December 31, 1999 that are sensitive to changes in the interest rates. While this analysis may have some use as a benchmark, it should not be viewed as a forecast.

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

At December 31, 1999, \$94.0 million (approximately 8.2% of total debt at December 31, 1999) of the Company's debt was variable rate debt (all of the variable rate debt relates to the Company's 1997 Unsecured Acquisition Facility) and \$1,053.6 million (approximately 91.8% of total debt at December 31, 1999) was fixed rate debt. The Company also had outstanding a written put and a written call option (collectively, the "Written Options") which were issued in conjunction with the initial offering of two tranches of unsecured debt. The Company's past practice has been to lock into fixed interest rates at issuance or fix the rate of variable rate debt through the use of interest rate protection agreements when interest rate market conditions dictate it is advantageous to do so. Currently, the Company does not enter into financial instruments for trading or other speculative purposes.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not earnings or cash flows of the Company. Conversely, for variable rate debt, changes in the interest rate generally do not impact the fair value of the debt, but would affect the Company's future earnings and cash flows. The interest rate risk and changes in fair market value of fixed rate debt generally do not have a significant impact on the Company until the Company is required to refinance such debt. See Note 6 to the consolidated financial statements for a discussion of the maturity dates of the Company's various fixed rate debt.

Based upon the amount of variable rate debt outstanding at December 31, 1999, a 10% increase or decrease in the interest rate on the Company's variable rate debt would decrease or increase, respectively, future net income and cash flows by approximately \$.7 million per year. A 10% increase in interest rates would decrease the fair value of the fixed rate debt at December 31, 1999 by approximately \$50.3 million to \$910.6 million. A 10% decrease in interest rates would increase the fair value of the fixed rate debt at December 31, 1999 by approximately \$56.1 million to \$1,017.0 million. A 10% increase in interest rates would decrease the fair value of the Written Options at December 31, 1999 by approximately \$1.6 million to \$2.4 million. A 10% decrease in interest rates would increase the fair value of the Written Options at December 31, 1999 by approximately \$2.6 million to \$6.6 million.

Investment in Real Estate, Development of Real Estate and Sales of Real Estate

During the year ended December 31, 1999, the Company purchased 19 in-service industrial properties, two industrial properties under redevelopment and several land parcels, for an aggregate purchase price of approximately \$75.2 million, excluding costs incurred in conjunction with the acquisition of the properties and land parcels.

During the year ended December 31, 1999, the Company sold 56 industrial properties and several land parcels. The aggregate gross sales price of these sales was approximately \$245.8 million. Approximately \$4.8 million of the gross proceeds from the sales of these properties was received from the September 1998 Joint Venture, (the Company sold two properties to the September 1998 Joint Venture at the Company's net book value).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company has committed to the construction of 23 development projects totaling approximately 3.3 million square feet of GLA for an estimated investment of approximately \$131.2 million. Of this amount, approximately \$48.5 million remains to be funded. These developments are expected to be funded with cash flow from operations, borrowings under the Company's 1997 Unsecured Acquisition Facility and proceeds from the sale of select properties of the Company.

From January 1, 2000 to March 10, 2000, the Company acquired or completed development of 11 industrial properties and acquired two land parcels for a total estimated investment of approximately \$33.5 million. The Company also sold six industrial properties and two land parcels for approximately \$41.5 million of gross proceeds.

Real Estate Market Strategy

The Company's market strategy is to concentrate on the top 25 industrial real estate markets in the United States. These 25 markets were selected based upon (i) the strength of their industrial real estate fundamentals, including increased industrial demand expectations from e-commerce and supply chain management; (ii) their history and future outlook for continued economic growth and diversity; and (iii) a minimum market size of 100 million square feet of industrial space. Due to this new market strategy, the Company plans on exiting the markets of Cleveland, Columbus, Dayton, Des Moines, Grand Rapids, Hartford, New Orleans/Baton Rouge, and Long Island. The net proceeds from the sales of properties in these markets will be used to bolster the Company's holdings in Atlanta, Baltimore/Washington, Chicago, Cincinnati/Louisville, Dallas/Fort Worth, Denver, Detroit, Harrisburg/Central Pennsylvania, Houston, Indianapolis, Los Angeles, Milwaukee, Minneapolis, Nashville, Northern New Jersey, Philadelphia, Phoenix, Portland, Salt Lake City, St. Louis and Tampa and to potentially enter new markets which fit its market strategy.

Real Estate Held for Sale

At December 31, 1999, the Company had five industrial properties comprising approximately .8 million square feet of GLA held for sale. Net income (defined as total property revenues, less property expenses (which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses) and depreciation and amortization) of the five industrial properties held for sale for the year ended December 31, 1999, 1998 and 1997 is approximately \$1.8 million, \$1.8 million and \$.7 million, respectively. Net carrying value of the five industrial properties held for sale at December 31, 1999 is approximately \$25.3 million. The five industrial properties were identified as held for sale during the three months ended December 31, 1999. There can be no assurance that such properties held for sale will be sold.

Investment in Joint Venture

On September 2, 1999, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a new joint venture arrangement (the "September 1999 Joint Venture") with an institutional investor to invest in industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership, owns a 10% equity interest in the September 1999 Joint Venture and provides property and asset management services to the September 1999 Joint Venture. On or after September 2001, under certain circumstances, the Company has the option of purchasing all of the properties owned by the September 1999 Joint Venture at a price to be determined in the future. The Company received approximately \$1.0 million (net of the intercompany elimination) in acquisition, asset management and property management fees in 1999 from the September 1999 Joint Venture. The Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, also invested approximately \$1.8 million in the September 1999 Joint Venture. The Company accounts for the September 1999 Joint Venture under the equity method of accounting. As of December 31, 1999, the September 1999 Joint Venture owned 39 industrial properties comprising approximately 1.2 million square feet of GLA.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Mortgage Loans

On November 5, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$1.3 million (the "Acquisition Mortgage Loan VIII"). The Acquisition Mortgage Loan VIII was collateralized by three properties in Richland Hills, Texas, bore interest at a fixed rate of 8.45% and provided for monthly principal and interest payments based on a 143-month amortization schedule. On August 2, 1999, the Company paid off and retired the Acquisition Mortgage Loan VIII.

Issuance of Restricted Stock and Employee Stock Options

During the year ended December 31, 1999, the Company awarded 72,300 shares of restricted common stock to certain employees and 3,504 shares of restricted common stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 5,224 shares of restricted common stock. These shares of restricted common stock had a fair value of approximately \$2.1 million on the date of grant. The restricted common stock vests over periods from five to ten years.

During the year ended December 31, 1999, the Company issued 1,041,567 non-qualified employee stock options to certain officers, Directors and employees of the Company. These non-qualified employee stock options vest over one year and have a strike price of \$25.13 - \$27.69 per share and expire ten years from the date of grant.

Dividends/Distributions

On January 18, 1999, the Company and the Operating Partnership paid a fourth quarter 1998 distribution of \$.60 per common share/unit, totaling approximately \$27.1 million. On April 19, 1999, the Company and the Operating Partnership paid a first quarter 1999 distribution of \$.60 per common share/unit, totaling approximately \$27.2 million. On July 19, 1999, the Company and the Operating Partnership paid a second quarter 1999 distribution of \$.60 per common share/unit, totaling approximately \$27.2 million. On October 18, 1999, the Company and the Operating Partnership paid a third quarter 1999 distribution of \$.60 per common share/unit, totaling approximately \$27.2 million. On January 24, 2000, the Company and the Operating Partnership paid a fourth quarter 1999 distribution of \$.62 per common share/unit, totaling approximately \$28.2 million.

On March 31, 1999, June 30, 1999, September 30, 1999 and December 31, 1999, the Company paid quarterly preferred stock dividends of \$.59375 per share on its 9½%, \$.01 par value, Series A Cumulative Preferred Stock (the "Series A Preferred Stock"), \$54.688 per share (equivalent to \$.54688 per Depositary Share) on its 8¾%, \$.01 par value, Series B Cumulative Preferred Stock (the "Series B Preferred Stock"), \$53.906 per share (equivalent to \$.53906 per Depositary Share) on its 8⅝%, \$.01 par value, Series C Cumulative Preferred Stock (the "Series C Preferred Stock"), \$49.687 per share (equivalent to \$.49687 per Depositary Share) on its 7.95%, \$.01 par value, Series D Cumulative Preferred Stock (the "Series D Preferred Stock") and \$49.375 per share (equivalent to \$.49375 per Depositary Share) on its 7.90%, \$.01 par value, Series E Cumulative Preferred Stock (the "Series E Preferred Stock"). The preferred stock dividends paid on March 31, 1999, June 30, 1999, September 30, 1999 and December 31, 1999 totaled, in the aggregate, approximately \$8.2 million per quarter.

In March 2000, the Company declared a first quarter dividend of \$.62 per common share/unit on its common stock/units which is payable on April 17, 2000. 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), \$49.687 per share (\$.49687 per Depositary share) and \$49.375 per share (\$.49375 per Depositary share) on its Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, respectively, which is payable on March 31, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Short-Term and Long-Term Liquidity Needs

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, developments, scheduled debt maturities, major renovations, expansions and other nonrecurring capital improvements through the disposition of select assets, long-term secured and unsecured indebtedness and the issuance of additional equity securities. As of December 31, 1999 and March 10, 2000, \$589.2 million of common stock, preferred stock and depositary shares and \$100.0 million of debt securities were registered and unissued under the Securities Act of 1933, as amended. The Company also may finance the development or acquisition of additional properties through borrowings under the 1997 Unsecured Acquisition Facility. At December 31, 1999, borrowings under the 1997 Unsecured Acquisition Facility bore interest at a weighted average interest rate of 7.09%. As of March 10, 2000, the Company had approximately \$186.4 million available in additional borrowings under the 1997 Unsecured Acquisition Facility.

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.

From time to time, the Company utilizes real estate brokerage services from CB Richard Ellis, Inc. for which a relative of one of the Company's officers/Directors is an employee.

On November 19, 1998, the Company sold two industrial properties to two limited partnerships, Roosevelt Glen Corporate Center ("Roosevelt") and Hartford Center Investment Company ("Hartford"), for a total consideration of approximately \$8.3 million. An entity in which the sole shareholders are an officer and Director and a former officer and Director ("TSIC") has a 11.638% general partner interest and a former officer and Director has a 75.585% limited partner interest in Roosevelt. TSIC has a 12.39% general partner interest and a former officer and Director has an 80.454% limited partner interest in Hartford. On December 4, 1998, the Company sold one industrial property to Eastgate Shopping Center Investment Co. ("Eastgate"), a limited partnership, for a total consideration of approximately \$2.4 million. TSIC has a 12.972% general partner interest and a former officer and Director has a 79.536% limited partner interest in Eastgate. In each case, the purchaser had the option of selling the properties back to the Company and the Company had the option of buying the properties back from the purchaser for a stipulated period of time. In January 2000, the purchasers exercised their options to sell the properties back to the Company. The gain on sale was deferred due to the existence of these options.

From time to time, the Company utilizes consulting services from the private consulting firm of one of the Company's Directors. For the year ended December 31, 1999, the Company has paid approximately \$.02 million of fees to this entity.

On September 2, 1999, the September 1999 Joint Venture purchased a 1,159,121 square foot industrial property portfolio located in Los Angeles, California for approximately \$63.9 million. An officer of the Company held ownership interests ranging between .004% and .13% in various entities that sold certain properties to the September 1999 Joint Venture.

On September 15, 1999, the Company sold nine industrial properties to an entity whose Chairman of the Board of Directors is also Chairman of the Board of Directors of the Company. The gross proceeds from the sales of these nine industrial properties approximated \$39.5 million and the gain of sales approximated \$14.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ENVIRONMENTAL

The Company incurred environmental costs of \$.6 million and \$.3 million in 1999 and 1998, respectively. The Company estimates 2000 costs of approximately \$1.0 million. The Company estimates that the aggregate cost which needs to be expended in 2000 and beyond with regard to currently identified environmental issues will not exceed approximately \$1.7 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.

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.

OTHER

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement, effective for fiscal years beginning after June 15, 2000, establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that the changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company is currently assessing the impact of this new statement on its consolidated financial position, liquidity and results of operations.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of First Industrial Realty Trust, Inc. (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

A handwritten signature in black ink that reads "Price Waterhouse Coopers LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
February 14, 2000

CONSOLIDATED BALANCE SHEETS

[Dollars in thousands, except per share data]

ASSETS	December 31, 1999	December 31, 1998
Investment in Real Estate:		
Land	\$ 383,938	\$ 406,465
Buildings and Improvements	2,131,807	2,137,499
Furniture, Fixtures and Equipment	1,437	1,437
Construction in Progress	80,410	37,632
Less: Accumulated Depreciation	[211,456]	[175,886]
Net Investment in Real Estate	2,386,136	2,407,147
Cash and Cash Equivalents	2,609	21,823
Restricted Cash	2,352	10,965
Tenant Accounts Receivable, Net	9,924	9,982
Investments in Joint Ventures	6,408	4,458
Deferred Rent Receivable	17,137	14,519
Deferred Financing Costs, Net	11,581	12,206
Prepaid Expenses and Other Assets, Net	90,816	73,362
Total Assets	\$ 2,526,963	\$ 2,554,462
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage Loans Payable	\$ 104,951	\$ 108,487
Senior Unsecured Debt, Net	948,688	948,595
Acquisition Facility Payable	94,000	134,800
Accounts Payable and Accrued Expenses	78,946	72,963
Rents Received in Advance and Security Deposits	22,014	18,592
Dividends/Distributions Payable	28,164	27,081
Total Liabilities	1,276,763	1,310,518
Minority Interest	190,974	189,168
Commitments and Contingencies	o	o
Stockholders' Equity:		
Preferred Stock (\$.01 par value, 10,000,000 shares authorized, 1,650,000, 40,000, 20,000, 50,000 and 30,000 shares of Series A, B, C, D and E Cumulative Preferred Stock, respectively, issued and outstanding at December 31, 1999 and December 31, 1998, having a liquidation preference of \$25 per share (\$41,250), \$2,500 per share (\$100,000), \$2,500 per share (\$50,000), \$2,500 per share (\$125,000) and \$2,500 per share (\$75,000), respectively)	18	18
Common Stock (\$.01 par value, 100,000,000 shares authorized, 38,152,811 and 37,932,015 shares issued and outstanding at December 31, 1999 and 1998, respectively)	382	379
Additional Paid-in-Capital	1,177,364	1,171,896
Distributions in Excess of Accumulated Earnings	[114,451]	[114,205]
Unearned Value of Restricted Stock Grants	[4,087]	[3,312]
Total Stockholders' Equity	1,059,226	1,054,776
Total Liabilities and Stockholders' Equity	\$ 2,526,963	\$ 2,554,462

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

CONSOLIDATED STATEMENTS OF OPERATIONS

[Dollars in thousands, except per share data]

	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97
REVENUES			
Rental Income	\$ 295,938	\$ 281,660	\$ 164,389
Tenant Recoveries and Other Income	78,217	68,042	46,028
Interest Income – Defeasance	o	o	12,786
Total Revenues	374,155	349,702	223,203
EXPENSES			
Real Estate Taxes	56,573	55,544	34,653
Repairs and Maintenance	16,827	15,303	8,278
Property Management	10,875	13,643	7,850
Utilities	9,933	9,475	5,801
Insurance	832	934	568
Other	3,955	4,585	2,612
General and Administrative	13,259	12,983	6,248
Interest Expense	79,869	71,833	49,859
Amortization of Interest Rate Protection Agreements and Deferred Financing Costs	1,362	917	2,812
Depreciation and Other Amortization	68,412	63,805	39,573
Restructuring and Abandoned Pursuit Costs Charge	o	11,941	o
Total Expenses	261,897	260,963	158,254
Income from Operations Before Equity in Income of Joint Ventures, Income Allocated to Minority Interest and Disposition of Interest Rate Protection Agreements	112,258	88,739	64,949
Equity in Income of Joint Ventures	302	45	o
Income Allocated to Minority Interest	[17,609]	[7,961]	[5,312]
Disposition of Interest Rate Protection Agreements	o	[8,475]	1,430
Income from Operations	94,951	72,348	61,067
Gain on Sales of Properties	29,797	5,349	5,003
Income Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle	124,748	77,697	66,070
Extraordinary Loss	o	o	[14,124]
Cumulative Effect of Change in Accounting Principle	o	[1,976]	o
Net Income	124,748	75,721	51,946
Preferred Stock Dividends	[32,844]	[30,610]	[11,856]
Net Income Available to Common Stockholders	\$ 91,904	\$ 45,111	\$ 40,090
Net Income Available to Common Stockholders Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle Per Weighted Average Common Share Outstanding:			
Basic	\$ 2.42	\$ 1.26	\$ 1.72
Diluted	\$ 2.41	\$ 1.25	\$ 1.70
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:			
Basic	\$ 2.42	\$ 1.20	\$ 1.27
Diluted	\$ 2.41	\$ 1.20	\$ 1.26

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	Additional Paid-In- Capital	Retained Earnings	Distributions In Excess of Accumulated Earnings	Unearned Value of Restricted Stock Grants
BALANCE AT DECEMBER 31, 1996	\$ 532,561	\$ 17	\$ 299	\$ 584,009	\$ 0	\$ [51,764]	\$ 0
Net Proceeds from Issuance of Preferred Stock	144,289	0	0	144,289	0	0	0
Net Proceeds from Issuance of Common Stock	199,339	0	62	199,277	0	0	0
Issuance of Restricted Stock	0	0	1	3,654	0	0	[3,655]
Amortization of Restricted Stock Grants . .	238	0	0	0	0	0	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]	0	0	0	[11,856]	0	0
Distributions (\$2.045 per Share/Unit)	[73,836]	0	0	0	[45,402]	[28,434]	0
Net Income Before Minority Interest	57,258	0	0	0	57,258	0	0
Minority Interest:							
Allocation of Income	[5,312]	0	0	0	0	[5,312]	0
Distributions (\$2.045 per Unit)	8,514	0	0	0	0	8,514	0
Conversion of Units to Common Stock .	3,395	0	2	3,393	0	0	0
BALANCE AT DECEMBER 31, 1997	854,590	17	364	934,622	0	[76,996]	[3,417]
Net Proceeds from Issuance of Preferred Stock	192,700	1	0	192,699	0	0	0
Net Proceeds from Issuance of Common Stock	37,095	0	12	37,083	0	0	0
Issuance of Restricted Stock	0	0	1	2,344	0	0	[2,345]
Amortization of Restricted Stock Grants . .	2,450	0	0	0	0	0	2,450
Preferred Stock Dividends (\$2.375 per Series A Share, \$218.750 per Series B Share, \$215.624 per Series C Share, \$179.426 per Series D Share and \$155.257 per Series E Share)	[30,610]	0	0	0	[30,610]	0	0
Distributions (\$2.19 per Share/Unit)	[96,868]	0	0	0	[53,072]	[43,796]	0
Net Income Before Minority Interest	83,682	0	0	0	83,682	0	0
Minority Interest:							
Allocation of Income	[7,961]	0	0	0	0	[7,961]	0
Distributions (\$2.19 per Unit)	14,548	0	0	0	0	14,548	0
Conversion of Units to Common Stock .	5,150	0	2	5,148	0	0	0
BALANCE AT DECEMBER 31, 1998	1,054,776	18	379	1,171,896	0	[114,205]	[3,312]
Net Proceeds from Issuance of Common Stock	845	0	0	845	0	0	0
Issuance of Restricted Stock	0	0	1	2,007	0	0	[2,008]
Amortization of Restricted Stock Grants . .	1,233	0	0	0	0	0	1,233
Preferred Stock Dividends (\$2.375 per Series A Share, \$218.750 per Series B Share, \$215.624 per Series C Share, \$198.748 per Series D Share and \$197.500 per Series E Share)	[32,844]	0	0	0	[32,844]	0	0
Distributions (\$2.42 per Share/Unit)	[109,608]	0	0	0	[109,513]	[95]	0
Net Income Before Minority Interest	142,357	0	0	0	142,357	0	0
Minority Interest:							
Allocation of Income	[17,609]	0	0	0	0	[17,609]	0
Distributions (\$2.42 per Unit)	17,458	0	0	0	0	17,458	0
Conversion of Units to Common Stock .	2,618	0	2	2,616	0	0	0
BALANCE AT DECEMBER 31, 1999	\$ 1,059,226	\$ 18	\$ 382	\$ 1,177,364	\$ 0	\$ [114,451]	\$ [4,087]

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Dollars in thousands]

	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 124,748	\$ 75,721	\$ 51,946
Income Allocated to Minority Interest	17,609	7,961	5,312
Income Before Minority Interest	142,357	83,682	57,258
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	62,208	57,565	35,286
Amortization of Interest Rate Protection Agreement and Deferred Financing Costs	1,362	917	2,812
Other Amortization	6,272	8,074	4,353
Provision for Bad Debts	o	550	850
Equity in Income of Joint Ventures	[302]	[45]	o
Distributions from Joint Ventures	302	o	o
Gain on Sales of Properties	[29,797]	[5,349]	[5,003]
Gain from Disposition of Interest Rate Protection Agreements	o	o	[1,430]
Extraordinary Loss	o	o	14,124
Cumulative Effect of Change in Accounting Principle	o	1,976	o
Increase in Tenant Accounts Receivable, Prepaid Expenses and Other Assets	[7,959]	[26,595]	[23,034]
Increase in Deferred Rent Receivable	[4,062]	[4,657]	[2,075]
Increase in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	5,001	29,867	17,644
Increase in Organization Costs	o	[396]	[185]
Decrease in Restricted Cash	1,515	3,507	2,035
Net Cash Provided by Operating Activities	176,897	149,096	102,635
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of and Additions to Investment in Real Estate	[233,434]	[623,955]	[826,087]
Net Proceeds from Sales of Investment in Real Estate	217,853	98,832	31,874
Contributions to and Investments in Joint Venture	[2,522]	[4,413]	o
Distributions from Joint Ventures	572	o	o
Funding of Mortgage Loans Receivable	[739]	o	[18,785]
Repayment of Mortgage Loans Receivable	1,132	1,394	4,751
Decrease (Increase) in Restricted Cash	7,098	[7,412]	2,742
Net Cash Used in Investing Activities	[10,040]	[535,554]	[805,505]
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Sale of Common Stock	o	36,300	200,360
Common Stock Underwriting Discounts/Offering Costs	[200]	[3,159]	[5,221]
Proceeds from Exercise of Employee Stock Options	732	2,544	3,883
Proceeds from Sale of Preferred Stock	o	200,000	150,000
Preferred Stock Underwriting Discounts/Offering Costs	o	[7,300]	[5,710]
Proceeds from Sale of Interest Rate Protection Agreements	o	o	9,950
Purchase of Interest Rate Protection Agreements	o	o	[150]
Purchase of U.S. Government Securities	o	o	[300,000]
Proceeds from Maturity of U.S. Government Securities	o	o	300,000
Decrease (Increase) in Restricted Cash-Defeasance	o	306,000	[306,000]
Proceeds from Senior Unsecured Debt	o	299,517	983,757
Repayment of Senior Unsecured Debt	o	o	[334,800]
Other Proceeds from Senior Unsecured Debt	o	2,760	2,377
Other Costs of Senior Unsecured Debt	o	[11,890]	[2,294]
Dividends/Distributions	[108,527]	[91,796]	[68,107]
Preferred Stock Dividends	[32,844]	[30,610]	[11,856]
Repayments on Mortgage Loans Payable	[3,459]	[301,947]	[11,156]
Proceeds from Acquisition Facilities Payable	156,600	531,000	540,100
Repayments on Acquisition Facilities Payable	[197,400]	[525,600]	[415,100]
Repayment of Promissory Notes Payable	o	o	[9,919]
Cost of Debt Issuance and Retirement of Debt	[973]	[10,760]	[11,668]
Net Cash (Used in) Provided by Financing Activities	[186,071]	395,059	708,446
Net (Decrease) Increase in Cash and Cash Equivalents	[19,214]	8,601	5,576
Cash and Cash Equivalents, Beginning of Period	21,823	13,222	7,646
Cash and Cash Equivalents, End of Period	\$ 2,609	\$ 21,823	\$ 13,222

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 of 1986, as amended (the "Code").

First Industrial Realty Trust, Inc. and its subsidiaries (the "Company") began operations on July 1, 1994. The Company's operations are conducted primarily through First Industrial, L.P. (the "Operating Partnership") of which the Company is the sole general partner. The Company is the sole stockholder of First Industrial Finance Corporation, First Industrial Pennsylvania Corporation, First Industrial Harrisburg Corporation, First Industrial Securities Corporation, First Industrial Mortgage Corporation, First Industrial Indianapolis Corporation, FI Development Services Corporation and First Industrial Florida Finance Corporation, which are the sole general partners of First Industrial Financing Partnership, L.P. (the "Financing Partnership"), First Industrial Pennsylvania, L.P. (the "Pennsylvania Partnership"), First Industrial Harrisburg, L.P. (the "Harrisburg Partnership"), First Industrial Securities, L.P. (the "Securities Partnership"), First Industrial Mortgage Partnership, L.P. (the "Mortgage Partnership"), First Industrial Indianapolis, L.P. (the "Indianapolis Partnership"), First Industrial Development Services, L.P. and TK-SV, LTD., 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, First Industrial Development Services, L.P. and TK-SV, LTD. The Operating Partnership is also the sole member of limited liability companies, and the majority economic stockholder of First Industrial Enterprises of Michigan, Inc. and FR Development Services, Inc. The Company, through separate wholly-owned limited liability companies of which the Operating Partnership is the sole member, also owns 10% equity interests in, and provides asset and property management services to, two joint ventures which invest in industrial properties.

As of December 31, 1999, the Company owned 967 in-service properties located in 25 states, containing an aggregate of approximately 67.0 million square feet (unaudited) of gross leasable area ("GLA"). Of the 967 properties owned by the Company, 815 are held by the Operating Partnership, 19 are held by the Financing Partnership, 20 are held by the Securities Partnership, 23 are held by the Mortgage Partnership, 23 are held by the Pennsylvania Partnership, six are held by the Harrisburg Partnership, six are held by the Indianapolis Partnership, one is held by TK-SV, LTD., 53 are held by limited liability companies of which the Operating Partnership is the sole member, and one is held by First Industrial Development Services, L.P.

2. BASIS OF PRESENTATION

First Industrial Realty Trust, Inc. is the sole general partner of the Operating Partnership, with an approximate 83.9% ownership interest at December 31, 1999. Minority interest at December 31, 1999, represents the approximate 16.1% aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

The consolidated financial statements of the Company at December 31, 1999 and 1998 and for each of the three years ended December 31, 1999 include the accounts and operating results of the Company and its subsidiaries. Such financial statements present the Company's 10% equity interests in the September 1998 Joint Venture (hereinafter defined) and the September 1999 Joint Venture (hereinafter defined) under the equity method of accounting. All significant intercompany transactions have been eliminated in consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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, 1999 and 1998, and the reported amounts of revenues and expenses for the years ended December 31, 1999, 1998 and 1997. 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 certain 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 in exchange for Operating Partnership units.

Real estate assets are carried at cost. 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. For properties management considers held for sale, the Company ceases depreciating the properties and values the properties at the lower of depreciated cost or fair value.

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:

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

Construction expenditures for tenant improvements, leasehold 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.

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 \$2,608 and \$1,246 at December 31, 1999 and 1998, respectively. Unamortized deferred financing fees are written-off when debt is retired before the maturity date (see Note 12).

Investments in Joint Ventures

Investments in joint ventures represents the Company's 10% equity interests in the September 1998 Joint Venture (hereinafter defined) and the September 1999 Joint Venture (hereinafter defined). The Company accounts for its Investments in Joint Ventures under the equity method of accounting. Under the equity method of accounting, the Company's share of earnings or losses of the September 1998 Joint Venture and the September 1999 Joint Venture is reflected in income as earned and contributions or distributions increase or decrease, respectively, the Company's Investments in Joint Ventures as paid or received, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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 revenue 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 \$2,000 as of December 31, 1999 and December 31, 1998.

Gain on Sales of Properties

Gain on sales of properties are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and any subsequent involvement by the Company with the properties sold are met. Gains relating to transactions which do not meet the established criteria are deferred and recognized when the criteria are met or by using the installment or deposit methods of profit recognition, as appropriate in the circumstances. As the assets are sold, their costs and related accumulated depreciation are removed from the accounts with resulting gains or losses reflected in net income or loss. Estimated future costs to be incurred by the Company after completion of each sale are included in the determination of the gains on sales.

Income Taxes

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code. As a result, the Company generally is not subject to federal income taxation 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, 1999, totaling \$92,150, are characterized 88.3% (\$2.14 per share) as ordinary income and 11.7% (\$.28 per share) as return of capital. Distributions paid for the year ended December 31, 1998, totaling \$82,320, are characterized 63.9% (\$1.40 per share) as ordinary income, 34.6% (\$.76 per share) as return of capital and 1.5% (\$.03 per share) as long-term capital gain. Distributions paid for the year ended December 31, 1997 totaling \$65,322 are characterized 62.3% (\$1.274 per share) as ordinary income, 35.6% (\$.728 per share) as return of capital and 2.1% (\$.043 per share) as long-term capital gain.

Earnings Per Common Share

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 13 for further disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, tenant accounts receivable, mortgage notes receivable, accounts payable, other accrued expenses, mortgage loans payable, acquisition facility payable, senior unsecured debt and certain put and call options issued in conjunction with two offerings of unsecured debt. The fair value of the short-term investments, tenant accounts receivable, mortgage notes receivable, accounts payable and other accrued expenses was not materially different from their carrying or contract values. See Note 6 for the fair values of the mortgage loans payable, acquisition facility payable, senior unsecured debt and certain put and call options issued in conjunction with initial offerings of unsecured debt.

Derivative Financial Instruments

The Company's interest rate protection agreements (the "Agreements") were 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 (see Note 9). Receipts or payments resulting from the Agreements that were used to limit the interest rate on the Company's \$300,000 mortgage loan were recognized as adjustments to interest expense. Upon termination of these Agreements, the Company recognized 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 that resulted from the settlement of Agreements used to fix the interest rate on anticipated offerings of senior unsecured debt are being 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). Any Agreements which no longer qualify for hedge accounting are marked to market and any gain or loss is recognized immediately. The credit risks associated with the Agreements were controlled through the evaluation and monitoring of the creditworthiness of the counterparty. In the event that the counterparty failed to meet the terms of the Agreements, the Company's exposure was 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 were executed with creditworthy financial institutions.

Segment Reporting

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information". This statement 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. Management views the Company as a single segment.

Recent Accounting Pronouncements

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement, effective for fiscal years beginning after June 15, 2000, establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that the changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company is currently assessing the impact of this new statement on its consolidated financial position, liquidity and results of operations.

Reclassification

Certain 1998 and 1997 items have been reclassified to conform to the 1999 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

4. INVESTMENT IN JOINT VENTURES

On September 28, 1998, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a joint venture arrangement (the "September 1998 Joint Venture") with an institutional investor to invest in industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership, owns a 10% equity interest in the September 1998 Joint Venture and provides property and asset management services to the September 1998 Joint Venture. On or after October 2000, under certain circumstances, the Company has the option of purchasing all of the properties owned by the September 1998 Joint Venture at a price to be determined in the future. The Company received approximately \$2,315 and \$2,348 (net of the intercompany elimination) in acquisition, asset management and property management fees in 1999 and 1998, respectively, from the September 1998 Joint Venture. For the twelve months ended December 31, 1999, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, invested approximately \$767 and received distributions of approximately \$874 from the September 1998 Joint Venture. For the twelve months ended December 31, 1998, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, invested approximately \$4,413 in the September 1998 Joint Venture. The Company accounts for the September 1998 Joint Venture under the equity method of accounting. As of December 31, 1999 the September 1998 Joint Venture owned 146 industrial properties comprising approximately 7.5 million square feet (unaudited) of GLA.

On September 2, 1999, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, entered into a new joint venture arrangement (the "September 1999 Joint Venture") with an institutional investor to invest in industrial properties. The Company, through wholly-owned limited liability companies of the Operating Partnership, owns a 10% equity interest in the September 1999 Joint Venture and provides property and asset management services to the September 1999 Joint Venture. On or after September 2001, under certain circumstances, the Company has the option of purchasing all of the properties owned by the September 1999 Joint Venture at a price to be

determined in the future. The Company received approximately \$993 (net of the intercompany elimination) in acquisition, asset management and property management fees in 1999 from the September 1999 Joint Venture. The Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, also invested approximately \$1,755 in the September 1999 Joint Venture. The Company accounts for the September 1999 Joint Venture under the equity method of accounting. As of December 31, 1999 the September 1999 Joint Venture owned 39 industrial properties comprising approximately 1.2 million square feet (unaudited) of GLA.

5. REAL ESTATE HELD FOR SALE

The Company has an active sales program through which it is continually engaged in identifying and evaluating its current portfolio for potential sales candidates in order to redeploy capital. At December 31, 1999, the Company had five industrial properties comprising approximately .8 million square feet (unaudited) of GLA held for sale. The five industrial properties were identified as held for sale during the three months ended December 31, 1999. There can be no assurance that such properties held for sale will be sold.

The following table discloses certain information regarding the five industrial properties held for sale by the Company.

	Year Ended		
	1999	1998	1997
Total Revenues	\$ 3,459	\$3,043	\$ 955
Operating Expenses	[1,138]	[811]	[159]
Depreciation and Amortization	[516]	[420]	[128]
Income from Operations	\$ 1,805	\$1,812	\$ 668
Net Carrying Value	\$25,337		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

6. MORTGAGE LOANS, NET, SENIOR UNSECURED DEBT, NET, ACQUISITION FACILITIES PAYABLE AND INTEREST RATE PROTECTION AGREEMENTS

Mortgage Loans, Net

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 12). 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).

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 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, 1999 and 1998, these reserves totaled \$1,425 and \$3,286, respectively, and are included in Restricted Cash. Such cash reserves were invested in a money market fund at December 31, 1999. The maturity of these investments is one day; accordingly, cost approximates fair value.

On December 14, 1995, the Company, through the Harrisburg Partnership, 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 12).

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 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 1999 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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 12). 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 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 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 1998 in exchange for the greater of a 2% prepayment fee or a yield maintenance premium.

On April 16, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$2,525 (the "Acquisition Mortgage Loan IV"). The Acquisition Mortgage Loan IV is collateralized by one property in Baltimore, Maryland, bears interest at a fixed rate of 8.95% and provides for monthly principal and interest payments based on a 20-year amortization schedule. The Acquisition Mortgage Loan IV matures on October 1, 2006. The Acquisition Mortgage Loan IV may be prepaid only after October 2001 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

On July 16, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$2,566 (the "Acquisition Mortgage Loan V"). The Acquisition Mortgage Loan V is collateralized by one property in Tampa, Florida, bears interest at a fixed rate of 9.01% and provides for monthly principal and interest payments based on a 30-year amortization schedule. The Acquisition Mortgage Loan V matures on September 1, 2006. The Acquisition Mortgage Loan V may be prepaid only after August 2002 in exchange for the greater of a 1% prepayment fee or a yield maintenance premium.

On August 31, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$965 (the "Acquisition Mortgage Loan VI"). The Acquisition Mortgage Loan VI is collateralized by one property in Portland, Oregon, bears interest at a fixed rate of 8.875% and provides for monthly principal and interest payments based on a 20-year amortization schedule. The Acquisition Mortgage Loan VI matures on November 1, 2006. The Acquisition Mortgage Loan VI may be prepaid only after September 2001 in exchange for a 3% prepayment fee.

On August 31, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$1,367 (the "Acquisition Mortgage Loan VII"). The Acquisition Mortgage Loan VII is collateralized by one property in Milwaukee, Oregon, bears interest at a fixed rate of 9.75% and provides for monthly principal and interest payments based on a 25-year amortization schedule. The Acquisition Mortgage Loan VII matures on March 15, 2002. The Acquisition Mortgage Loan VII may be prepaid only after December 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

On November 5, 1998, the Company, through the Operating Partnership, assumed a mortgage loan in the principal amount of \$1,348 (the "Acquisition Mortgage Loan VIII"). The Acquisition Mortgage Loan VIII was collateralized by three properties in Richland Hills, Texas, bore interest at a fixed rate of 8.45% and provided for monthly principal and interest payments based on a 143-month amortization schedule. On August 2, 1999, the Company paid off and retired the Acquisition Mortgage Loan VIII.

Senior Unsecured Debt, Net

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 12).

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 the 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 12).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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 is amortizing 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.

On March 31, 1998, the Company, through the Operating Partnership, issued \$100,000 of Dealer remarketable securities which mature on April 5, 2011 and bear a coupon interest rate of 6.50% (the “2011 Drs.”). The issue price of the 2011 Drs. was 99.753%. Interest is paid semi-annually in arrears on April 5 and October 5. The 2011 Drs. are callable (the “Call Option”), at the option of J.P. Morgan Securities, Inc., as Remarketing Dealer (the “Remarketing Dealer”), on April 5, 2001 (the “Remarketing Date”). The Company received approximately \$2,760 of proceeds from the Remarketing Dealer as consideration for the Call Option. The Company is amortizing these proceeds over the life of the Call Option as an adjustment to interest expense. If the holder of the Call Option calls the 2011 Drs. and elects to remarket the 2011 Drs., then after the Remarketing Date, the interest rate on the 2011 Drs. will be reset at a fixed rate until April 5, 2011 based upon a predetermined formula as disclosed in the related Prospectus Supplement. If the Remarketing Dealer elects not to remarket the 2011 Drs., then the Operating Partnership will be required to repurchase, on the Remarketing Date, any 2011 Drs. that have not been purchased by the Remarketing Dealer at 100% of the principal amount thereof, plus accrued and unpaid interest, if any. The Company also settled an interest rate protection agreement, in the notional amount of \$100,000, which was used to fix the interest rate on the 2011 Drs. 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 2011 Drs. as an adjustment to interest expense. The 2011 Drs. contain certain covenants including limitations on incurrence of debt and debt service coverage.

On July 14, 1998, the Company, through the Operating Partnership, issued \$200,000 of senior unsecured debt which matures on July 15, 2028 and bears a coupon interest rate of 7.60% (the “2028 Notes”). The issue price of the 2028 Notes was 99.882%. Interest is paid semi-annually in arrears on January 15 and July 15. The Company also settled interest rate protection agreements, in the notional amount of \$150,000, which were used to fix the interest rate on the 2028 Notes prior to issuance. The debt issue discount and the settlement amount of the interest rate protection agreements are being amortized over the life of the 2028 Notes as an adjustment to interest expense. The 2028 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage. Approximately \$50,000 of the 2028 Notes was purchased, through a broker/dealer, by an entity in which a Director of the Company owns greater than a ten percent interest.

Acquisition Facilities

In December 1996, the Company terminated its \$150,000 secured revolving credit facility 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 12) 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.

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 and acquisition facility payable:

	Outstanding Balance at		Accrued Interest Payable at		Interest Rate at	Maturity Date
	12/31/99	12/31/98	12/31/99	12/31/98	12/31/99	
MORTGAGE LOANS PAYABLE, NET						
1995 Mortgage Loan	\$ 39,099	\$ 39,567	\$ 165	\$ 167	7.220%	1/11/26
CIGNA Loan	34,636	35,220	216	o	7.500%	4/01/03
Assumed Loans	8,343	8,661	o	o	9.250%	1/01/13
LB Mortgage Loan II	705	705	o	o	8.000%	[1]
Acquisition Mortgage Loan I	3,591	3,864	o	o	8.500%	8/01/08
Acquisition Mortgage Loan II	7,630	7,828	o	51	7.750%	4/01/06
Acquisition Mortgage Loan III	3,350	3,485	o	26	8.875%	6/01/03
Acquisition Mortgage Loan IV	2,423	2,488	o	19	8.950%	10/01/06
Acquisition Mortgage Loan V	2,793 [2]	2,855 [2]	o	19	9.010%	9/01/06
Acquisition Mortgage Loan VI	991 [2]	1,024 [2]	o	7	8.875%	11/01/06
Acquisition Mortgage Loan VII	1,390 [2]	1,450 [2]	o	11	9.750%	3/15/02
Acquisition Mortgage Loan VIII	o [3]	1,340	o	9	[3]	[3]
Total	\$ 104,951	\$ 108,487	\$ 381	\$ 309		
SENIOR UNSECURED DEBT, NET						
2005 Notes	\$ 50,000	\$ 50,000	\$ 383	\$ 383	6.900%	11/21/05
2006 Notes	150,000	150,000	875	875	7.000%	12/01/06
2007 Notes	149,961 [4]	149,956 [4]	1,457	1,457	7.600%	5/15/07
2011 Notes	99,470 [4]	99,424 [4]	942	942	7.375%	5/15/11 [5]
2017 Notes	99,828 [4]	99,818 [4]	625	625	7.500%	12/01/17
2027 Notes	99,867 [4]	99,862 [4]	914	914	7.150%	5/15/27 [6]
2028 Notes	199,776 [4]	199,768 [4]	7,009	7,051	7.600%	7/15/28
2011 Drs.	99,786 [4]	99,767 [4]	1,553	1,553	6.500% [8]	4/05/11 [7]
Total	\$ 948,688	\$ 948,595	\$ 13,758	\$ 13,800		
ACQUISITION FACILITY PAYABLE						
1997 Unsecured Acquisition Facility	\$ 94,000	\$ 134,800	\$ 663	\$ 690	7.09%	4/30/01

- [1] The maturity date of the LB Mortgage Loan II is based on a contingent event relating to the environmental status of the property collateralizing the loan.
- [2] At December 31, 1999, the Acquisition Mortgage Loan V, the Acquisition Mortgage Loan VI and the Acquisition Mortgage Loan VII are net of unamortized premiums of \$258, \$57 and \$64, respectively. At December 31, 1998, the Acquisition Mortgage Loan V, the Acquisition Mortgage Loan VI and the Acquisition Mortgage Loan VII are net of unamortized premiums of \$297, \$66 and \$93, respectively.
- [3] The Acquisition Mortgage Loan VIII was paid off and retired on August 2, 1999.
- [4] At December 31, 1999, the 2007 Notes, 2011 Notes, 2017 Notes, 2027 Notes, 2028 Notes and the 2011 Drs. are net of unamortized discounts of \$39, \$530, \$172, \$133, \$224 and \$214, respectively. At December 31, 1998, the 2007 Notes, 2011 Notes, 2017 Notes, 2027 Notes, 2028 Notes and the 2011 Drs. are net of unamortized discounts of \$44, \$576, \$182, \$138, \$232 and \$233, respectively.
- [5] The 2011 Notes are redeemable at the option of the holder thereof, on May 15, 2004.
- [6] The 2027 Notes are redeemable at the option of the holders thereof, on May 15, 2002.
- [7] The 2011 Drs. are required to be redeemed by the Operating Partnership on April 5, 2001 if the Remarketing Dealer elects not to remarket the 2011 Drs.
- [8] The 2011 Drs. bear interest at an annual rate of 6.50% to the Remarketing Date. If the holder of the Call Option calls the 2011 Drs. and elects to remarket the 2011 Drs., then after the Remarketing Date, the interest rate on the 2011 Drs. will be reset at a fixed rate until April 5, 2011 based on a predetermined formula as disclosed in the related Prospectus Supplement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

Fair Value

At December 31, 1999 and 1998, the fair value of the Company's mortgage loans payable, senior unsecured debt, acquisition facility payable and Put and Call Options were as follows:

	December 31, 1999		December 31, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage Loans Payable	\$ 104,951	\$ 101,445	\$ 108,487	\$ 111,305
Senior Unsecured Debt	948,688	859,455	948,595	925,320
Acquisition Facility Payable	94,000	94,000	134,800	134,800
Put Option and Call Option	2,263	3,950	3,438	13,200
Total	\$ 1,149,902	\$ 1,058,850	\$ 1,195,320	\$ 1,184,625

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
2000	2,305
2001	96,507
2002	3,935
2003	37,189
2004	2,019
Thereafter	1,005,912
Total	\$1,147,867

The maturity date of the LB Mortgage Loan II is based on a contingent event. As a result, the LB Mortgage Loan II is not included in the preceding table.

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 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. As of December 31, 1997 the interest rate protection agreements were fully amortized and written off.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

7. STOCKHOLDERS' EQUITY

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 8¾%, \$.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, Series C Preferred Stock (hereinafter defined), Series D Preferred Stock (hereinafter defined) and Series E Preferred Stock (hereinafter defined); however, the Series A Preferred Stock has the benefit of a guarantee by the Securities Partnership. 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 8¾%, \$.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, Series B Preferred Stock, Series D Preferred Stock (hereinafter defined) and Series E Preferred Stock (hereinafter defined); however, the Series A Preferred Stock has the benefit of a guarantee by the Securities Partnership. 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]

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 Common Stock and pari passu with the Company's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series E Preferred Stock (hereinafter defined); however, the Series A Preferred Stock has the benefit of a guarantee by the Securities Partnership. The Series D Preferred Stock is not redeemable prior to February 4, 2003. On and 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 the Securities Partnership. The Series E Preferred Stock is not redeemable prior to March 18, 2003. On and 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.

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

	Stated Value at		<i>Initial</i>	<i>Optional</i>
	12/31/99	12/31/98	<i>Dividend Rate</i>	<i>Redemption Date</i>
Series A Preferred Stock	\$ 41,250	\$ 41,250	9.500%	11/17/00
Series B Preferred Stock	100,000	100,000	8.750%	5/14/02
Series C Preferred Stock	50,000	50,000	8.625%	6/06/07
Series D Preferred Stock	125,000	125,000	7.950%	2/04/03
Series E Preferred Stock	75,000	75,000	7.900%	3/18/03
Total	\$ 391,250	\$ 391,250		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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 underwriters' discount and the total offering expenses, were approximately \$176,556.

On April 23, 1998, the Company issued, in a private placement, 1,112,644 shares of \$.01 par value common stock (the "April 1998 Equity Offering"). The price per share in the April 1998 Equity Offering was \$32.625, resulting in gross offering proceeds of \$36,300. Proceeds to the Company, net of purchaser's discount and total offering expenses, were approximately \$33,141.

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. 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:

	<i>Record Date</i>	<i>Payable Date</i>	<i>Dividend/Distribution per Share/Unit</i>	<i>Total Dividend Distribution</i>
COMMON STOCK/OPERATING PARTNERSHIP UNITS				
First Quarter 1998	March 31, 1998	April 20, 1998	\$.53000	\$ 22,497
Second Quarter 1998	June 30, 1998	July 20, 1998	\$.53000	\$ 23,555
Third Quarter 1998	September 30, 1998	October 19, 1998	\$.53000	\$ 23,735
Fourth Quarter 1998	December 31, 1998	January 18, 1999	\$.60000	\$ 27,081
First Quarter 1999	March 31, 1999	April 19, 1999	\$.60000	\$ 27,157
Second Quarter 1999	June 30, 1999	July 19, 1999	\$.60000	\$ 27,157
Third Quarter 1999	September 30, 1999	October 18, 1999	\$.60000	\$ 27,157
Fourth Quarter 1999	December 31, 1999	January 24, 2000	\$.62000	\$ 28,164
SERIES A PREFERRED STOCK				
First Quarter 1998	March 13, 1998	March 31, 1998	\$.59375	\$ 980
Second Quarter 1998	June 15, 1998	June 30, 1998	\$.59375	\$ 980
Third Quarter 1998	September 15, 1998	September 30, 1998	\$.59375	\$ 980
Fourth Quarter 1998	December 15, 1998	December 31, 1998	\$.59375	\$ 980
First Quarter 1999	March 15, 1999	March 31, 1999	\$.59375	\$ 980
Second Quarter 1999	June 15, 1999	June 30, 1999	\$.59375	\$ 980
Third Quarter 1999	September 15, 1999	September 30, 1999	\$.59375	\$ 980
Fourth Quarter 1999	December 15, 1999	December 31, 1999	\$.59375	\$ 980
SERIES B PREFERRED STOCK				
First Quarter 1998	March 13, 1998	March 31, 1998	\$ 54.68750	\$ 2,188
Second Quarter 1998	June 15, 1998	June 30, 1998	\$ 54.68750	\$ 2,188
Third Quarter 1998	September 15, 1998	September 30, 1998	\$ 54.68750	\$ 2,188
Fourth Quarter 1998	December 15, 1998	December 31, 1998	\$ 54.68750	\$ 2,188
First Quarter 1999	March 15, 1999	March 31, 1999	\$ 54.68750	\$ 2,188
Second Quarter 1999	June 15, 1999	June 30, 1999	\$ 54.68750	\$ 2,188
Third Quarter 1999	September 15, 1999	September 30, 1999	\$ 54.68750	\$ 2,188
Fourth Quarter 1999	December 15, 1999	December 31, 1999	\$ 54.68750	\$ 2,188
SERIES C PREFERRED STOCK				
First Quarter 1998	March 13, 1998	March 31, 1998	\$ 53.90600	\$ 1,078
Second Quarter 1998	June 15, 1998	June 30, 1998	\$ 53.90600	\$ 1,078
Third Quarter 1998	September 15, 1998	September 30, 1998	\$ 53.90600	\$ 1,078
Fourth Quarter 1998	December 15, 1998	December 31, 1998	\$ 53.90600	\$ 1,078
First Quarter 1999	March 13, 1999	March 31, 1999	\$ 53.90600	\$ 1,078
Second Quarter 1999	June 15, 1999	June 30, 1999	\$ 53.90600	\$ 1,078
Third Quarter 1999	September 15, 1999	September 30, 1999	\$ 53.90600	\$ 1,078
Fourth Quarter 1999	December 15, 1999	December 31, 1999	\$ 53.90600	\$ 1,078
SERIES D PREFERRED STOCK				
First Quarter 1998	March 13, 1998	March 31, 1998	\$ 30.36500	\$ 1,518
Second Quarter 1998	June 15, 1998	June 30, 1998	\$ 49.68700	\$ 2,484
Third Quarter 1998	September 15, 1998	September 30, 1998	\$ 49.68700	\$ 2,484
Fourth Quarter 1998	December 15, 1998	December 31, 1998	\$ 49.68700	\$ 2,484
First Quarter 1999	March 15, 1999	March 31, 1999	\$ 49.68700	\$ 2,484
Second Quarter 1999	June 15, 1999	June 30, 1999	\$ 49.68700	\$ 2,484
Third Quarter 1999	September 15, 1999	September 30, 1999	\$ 49.68700	\$ 2,484
Fourth Quarter 1999	December 15, 1999	December 31, 1999	\$ 49.68700	\$ 2,484
SERIES E PREFERRED STOCK				
First Quarter 1998	June 15, 1998	June 30, 1998	\$ 7.13194	\$ 214
Second Quarter 1998	June 15, 1998	June 30, 1998	\$ 49.37500	\$ 1,480
Third Quarter 1998	September 15, 1998	September 30, 1998	\$ 49.37500	\$ 1,480
Fourth Quarter 1998	December 15, 1998	December 31, 1998	\$ 49.37500	\$ 1,480
First Quarter 1999	March 15, 1999	March 31, 1999	\$ 49.37500	\$ 1,480
Second Quarter 1999	June 15, 1999	June 30, 1999	\$ 49.37500	\$ 1,480
Third Quarter 1999	September 15, 1999	September 30, 1999	\$ 49.37500	\$ 1,480
Fourth Quarter 1999	December 15, 1999	December 31, 1999	\$ 49.37500	\$ 1,480

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[Dollars in thousands, except for per share data]

8. ACQUISITION AND DEVELOPMENT OF REAL ESTATE

In 1999, the Company acquired 19 in-service industrial properties and two industrial properties under redevelopment comprising, in the aggregate, approximately 2.0 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately \$75,226 and completed the development of 19 properties and one expansion comprising approximately 3.1 million square feet (unaudited) of GLA at a cost of approximately \$103,651.

In 1998, the Company acquired 247 industrial properties comprising approximately 12.3 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately \$537,837 and completed the development of 12 properties and two expansions comprising approximately 2.6 million square feet (unaudited) of GLA at a cost of approximately \$85,870.

In 1997, the Company acquired 389 industrial properties comprising approximately 22.9 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately \$873,004 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.

9. DISPOSITION OF INTEREST RATE PROTECTION AGREEMENTS

In November 1998, the Company, through the Operating Partnership, settled its remaining interest rate protection agreement which was scheduled to expire on January 4, 1999. This agreement was entered into in December 1997 in anticipation of 1998 senior unsecured debt offerings. Due to the changing market conditions and the Company's expectation that it would not issue debt securities associated with the interest rate protection agreement, the Company settled its position. As a result, the Company has recognized an expense of approximately \$8,475 associated with the termination of the interest rate protection agreement in the fourth quarter of 1998.

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.

10. RESTRUCTURING AND ABANDONED PURSUIT COSTS CHARGE

In connection with management's plan to improve operating efficiencies and reduce costs, the Company recorded a restructuring and abandoned pursuit costs charge of approximately \$11,941 in the fourth quarter of 1998. The restructuring charge includes approximately \$6,858 in severance costs, of which approximately \$1,206 is non-cash relating to immediate vesting of restricted stock. The cash portion of the severance costs were paid in fiscal year 1999. Approximately \$5,083 of the charge relates to abandoned acquisitions.

11. SALES OF REAL ESTATE

In 1999, the Company sold 56 industrial properties and several land parcels. The aggregate gross sales price of these sales totaled approximately \$245,813. Approximately \$4,835 of the gross proceeds from the sales of these properties was received from the September 1998 Joint Venture (the Company sold two properties to the September 1998 Joint Venture at the Company's net book value). The gain on sales totaled approximately \$29,797.

In 1998, the Company sold 41 in-service properties and several parcels of land. Gross proceeds from these sales totaled approximately \$99,904. Approximately \$56,300 of the gross proceeds were received from the September 1998 Joint Venture (the Company sold 21 of the 41 properties to the September 1998 Joint Venture at the Company's net book value). The gain on sales totaled approximately \$5,349.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

12. EXTRAORDINARY ITEMS

In 1997, the Company terminated the Harrisburg Mortgage Loan, the LB Mortgage Loan I, the Defeasance Loan, the November 1997 Unsecured 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.

13. EARNINGS PER SHARE

The computation of basic and diluted EPS is presented below. The outstanding Operating Partnership units have been excluded from the diluted earnings per share (EPS) 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.

	<i>Year Ended 12/31/99</i>	<i>Year Ended 12/31/98</i>	<i>Year Ended 12/31/97</i>
NUMERATOR			
Income Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle	\$ 124,748	\$ 77,697	\$ 66,070
Less: Preferred Stock Dividends	[32,844]	[30,610]	[11,856]
Net Income Available to Common Stockholders Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle			
– For Basic and Diluted EPS	\$ 91,904	\$ 47,087	\$ 54,214
Extraordinary Loss	○	○	[14,124]
Cumulative Effect of Change in Accounting Principle	○	[1,976]	○
Net Income Available to Common Stockholders			
– For Basic and Diluted EPS	\$ 91,904	\$ 45,111	\$ 40,090
DENOMINATOR			
Weighted Average Common Shares Outstanding at December 31, 1999, 1998 and 1997, respectively – Basic	38,042,214	37,444,961	31,508,240
Effect of Dilutive Securities:			
Employee Common Stock Options	101,801	182,515	305,686
Weighted Average Common Shares Outstanding at December 31, 1999, 1998 and 1997, respectively – Diluted	38,144,015	37,627,476	31,813,926
BASIC EPS			
Net Income Available to Common Stockholders Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle	\$ 2.42	\$ 1.26	\$ 1.72
Extraordinary Loss	\$ ○	\$ ○	\$ [.45]
Cumulative Effect of Change in Accounting Principle	\$ ○	\$ [.05]	\$ ○
Net Income Available to Common Stockholders	\$ 2.42	\$ 1.20	\$ 1.27
DILUTED EPS			
Net Income Available to Common Stockholders Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle	\$ 2.41	\$ 1.25	\$ 1.70
Extraordinary Loss	\$ ○	\$ ○	\$ [.44]
Cumulative Effect of Change in Accounting Principle	\$ ○	\$ [.05]	\$ ○
Net Income Available to Common Stockholders	\$ 2.41	\$ 1.20	\$ 1.26

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

14. 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, 1999 are approximately as follows:

	Future Rental Revenues
2000	308,090
2001	258,772
2002	210,109
2003	165,399
2004	123,394
Thereafter	308,145
Total	\$ 1,373,909

15. 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. There are approximately 7.7 million shares reserved under the Stock Incentive Plans. 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 December 31, 1999, stock options covering 2.8 million shares were outstanding and stock options covering 4.4 million shares were available under the Stock Incentive Plans. The outstanding stock options generally vest over one to ten 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
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
Granted	5,248,200	\$34.92	\$24.00–\$35.81
Exercised or Converted	[165,500]	\$23.14	\$20.25–\$30.38
Expired or Terminated	[1,417,200]	\$35.42	\$22.75–\$35.81
Outstanding at December 31, 1998	4,997,000	\$32.70	\$18.25–\$35.81
Granted	1,041,567	\$25.35	\$25.13–\$27.69
Exercised or Converted	[68,000]	\$22.79	\$20.25–\$25.13
Expired or Terminated	[3,194,300]	\$35.31	\$22.75–\$35.81
Outstanding at December 31, 1999	2,776,267	\$27.04	\$18.25–\$31.13

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The following table summarizes currently outstanding and exercisable options as of December 31, 1999:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$18.25 – \$25.13	1,498,200	7.68	\$24.08	1,056,350	\$23.64
\$28.50 – \$31.13	1,278,067	8.11	\$30.51	1,194,734	\$30.73

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 expense for the Company's Stock Incentive Plans been determined based upon the fair value at the grant date for awards under the Stock Incentive Plans consistent with the methodology prescribed under Statement of Financial Accounting Standards 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		
	1999	1998	1997
Net Income Available to Common Stockholders – as reported	\$ 91,904	\$ 45,111	\$ 40,090
Net Income Available to Common Stockholders – pro forma	\$ 90,036	\$ 43,324	\$ 38,810
Net Income Available to Common Stockholders per Share			
– as reported – Basic	\$ 2.42	\$ 1.20	\$ 1.27
Net Income Available to Common Stockholders per Share			
– pro forma – Basic	\$ 2.37	\$ 1.16	\$ 1.23
Net Income Available to Common Stockholders per Share			
– as reported – Diluted	\$ 2.41	\$ 1.20	\$ 1.26
Net Income Available to Common Stockholders per Share			
– pro forma – Diluted	\$ 2.36	\$ 1.15	\$ 1.22

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

Expected dividend yield	8.88%	8.01%	8.15%
Expected stock price volatility	20.55%	20.56%	20.01%
Risk-free interest rate	5.30%	5.64%	6.48%
Expected life of options.	2.73	3.74	3.78

The weighted average fair value of options granted during 1999, 1998 and 1997 is \$1.79, \$2.95 and \$2.72 per option, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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, 1999, 1998 and 1997, the Company made matching contributions of approximately \$208, \$198 and \$108, respectively. In March 1996, the Board of Directors approved and the Company adopted a Deferred Income Plan (the "Plan"). At December 31, 1999, 596,498 units were outstanding. The expense related to these deferred income benefits is included in general and administrative expenses in the consolidated statements of operations.

During 1999, the Company awarded 72,300 shares of restricted Common Stock to certain employees and 3,504 shares of restricted Common Stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 5,224 shares of restricted Common Stock. These restricted shares of Common Stock had a fair value of \$2,121 on the date of grant. The restricted Common Stock vests over a period from five to ten years. Compensation expense will be charged to earnings over the vesting period.

During 1998, the Company awarded 51,850 shares of restricted Common Stock to certain employees and 2,769 shares of restricted Common Stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 13,602 shares of restricted Common Stock. These restricted shares of Common Stock had a fair value of \$2,345 on the date of grant. The restricted Common Stock vests over a period from five to ten years. Compensation expense will be charged to earnings over the vesting period.

During 1997, the Company awarded 59,946 shares of restricted Common Stock to certain employees and 1,274 shares of restricted Common Stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 54,936 shares of restricted Common Stock. These restricted shares of Common Stock had a fair value of \$3,655 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.

16. 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.

From time to time, the Company utilizes real estate brokerage services from CB Richard Ellis, Inc. for which a relative of one of the Company's officers/Directors is an employee.

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 former officers owned a 33.0% interest.

On July 16, 1998, the Company, through the Operating Partnership, completed an acquisition of a real estate firm of which an officer of the Company owned a 25% interest. Gross proceeds to the real estate firm totaled approximately \$2,349. In conjunction with the acquisition of the real estate firm, the Company also acquired an industrial property from this same entity for a purchase price of approximately \$3,248, excluding costs incurred in connection with the acquisition of the property.

On June 23, 1998, the Company, through the Operating Partnership, purchased a 292,471 square foot (unaudited) light industrial property located in Denver, Colorado for approximately \$12,206. The property was purchased from a company in which one of the Company's officers owned a 12.08% interest.

Of the 247 industrial properties purchased by the Company during the year ended December 31, 1998, four industrial properties were purchased from Western Suburban Industrial Investments Limited Partnership ("Western") in which the sole general partner, having a 5% interest, was Tomasz/Shidler Investment Corporation, the sole shareholders of which were a Director of the Company and a former Director/officer of the Company who also had a 53% and 32% limited partnership interest in Western, respectively. Further, an additional Director/officer of the Company was a limited partner in Western having an interest of 2%. The aggregate purchase price for this acquisition totaled approximately \$7,900, excluding costs incurred in conjunction with the acquisition of the properties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

On November 19, 1998, the Company sold two industrial properties to two limited partnerships, Roosevelt Glen Corporate Center ("Roosevelt") and Hartford Center Investment Company ("Hartford"), for a total consideration of approximately \$8,341. An entity in which the sole shareholders are an officer and Director and a former officer and Director ("TSIC") has a 11.638% general partner interest and a former officer and Director has a 75.585% limited partner interest in Roosevelt. TSIC has a 12.39% general partner interest and a former officer and Director has an 80.454% limited partner interest in Hartford. On December 4, 1998, the Company sold one industrial property to Eastgate Shopping Center Investment Co. ("Eastgate"), a limited partnership, for a total consideration of approximately \$2,360. TSIC has a 12.972% general partner interest and a former officer and Director has a 79.536% limited partner interest in Eastgate. In each case, the purchaser had the option of selling the properties back to the Company and the Company had the option of buying the properties back from the purchaser for a stipulated period of time. In January 2000, the purchasers exercised their options to sell the properties back to the Company. The gain on sale was deferred due to the existence of these options.

From time to time, the Company utilizes consulting services from the private consulting firm of one of the Company's Directors. For the year ended December 31, 1999, the Company has paid approximately \$15 of fees to this entity.

On September 2, 1999, the September 1999 Joint Venture purchased a 1,159,121 square foot (unaudited) industrial property portfolio located in Los Angeles, California for approximately \$63,901. An officer of the Company held ownership interests ranging between .004% and .13% in various entities that sold certain properties to the September 1999 Joint Venture.

On September 15, 1999, the Company sold nine industrial properties to an entity whose Chairman of the Board of Directors is also Chairman of the Board of Directors of the Company. The gross proceeds from the sales of these nine industrial properties approximated \$39,475 and the gain of sales approximated \$14,552.

17. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

Supplemental disclosure of cash flow information:	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97
Interest paid, net of capitalized interest	\$ 79,866	\$ 64,294	\$ 44,627
Interest capitalized	\$ 5,568	\$ 3,643	\$ 1,151

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Distribution payable on common stock/units	\$ 28,164	\$ 27,081	\$ 22,010
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EXCHANGE OF UNITS FOR COMMON SHARES

Minority interest	[2,618]	[5,150]	\$ [3,395]
Common stock	2	2	2
Additional paid in capital	2,616	5,148	3,393
	\$ 0	\$ 0	\$ 0

IN CONJUNCTION WITH THE PROPERTY ACQUISITIONS, THE FOLLOWING ASSETS AND LIABILITIES WERE ASSUMED:

Purchase of real estate	\$ 75,188	\$537,838	\$862,350
Mortgage loans	0	[8,771]	[20,272]
Operating partnership units	0	[49,413]	[115,230]
Accounts payable and accrued expenses	[342]	[5,001]	[11,414]
Acquisition of real estate	\$ 74,846	\$474,653	\$715,434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

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

The Company has committed to the construction of 23 industrial properties totaling approximately 3.3 million square feet (unaudited) of GLA. The estimated total construction costs are approximately \$131,194 (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, 1999, the Company had four letters of credit outstanding in the aggregate amount of \$1,146. A \$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 December 31, 2000. The remaining \$166 of outstanding letters of credit were required by municipalities for development purposes. They expire between February 28, 2000 and January 31, 2001.

19. SUBSEQUENT EVENTS (UNAUDITED)

During the period January 1, 2000 through March 10, 2000, the Company acquired or completed development of 11 industrial properties and two land parcels for a total estimated investment of approximately \$33,511. The Company also sold six industrial properties and two land parcels for approximately \$41,544 of gross proceeds.

In March 2000, the Company declared a first quarter dividend of \$.62 per share/unit on its common stock which is payable on April 17, 2000. 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), \$49.687 per share (\$.49687 per Depositary share) and \$49.375 per share (\$.49375 per Depositary share) on its Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock, respectively, which is payable on March 31, 2000.

In March 2000, the Company's Board of Directors approved the repurchase of up to \$100,000 of the Company's common stock. The Company will make purchases from time to time, if price levels warrant, in the open market or in privately negotiated transactions. Stock repurchases will be funded from internally generated funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars in thousands, except for per share data]

20. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Year Ended December 31, 1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 95,428	\$ 93,993	\$ 94,131	\$ 90,603
Equity In Income [Loss] of Joint Ventures	126	120	126	[70]
Income Allocated to Minority Interest	[3,443]	[4,252]	[6,106]	[3,808]
Income from Operations	24,090	23,470	23,664	23,727
Gain on Sales of Properties	1,545	6,797	16,999	4,456
Net Income	25,635	30,267	40,663	28,183
Preferred Stock Dividends	[8,211]	[8,211]	[8,211]	[8,211]
Net Income Available to Common Stockholders	\$ 17,424	\$ 22,056	\$ 32,452	\$ 19,972

EARNINGS PER SHARE:

Net Income Available to Common Stockholders per Weighted

Average Common Share Outstanding:

Basic	\$.46	\$.58	\$.85	\$.52
Diluted	\$.46	\$.58	\$.85	\$.52

	Year Ended December 31, 1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 76,214	\$ 87,305	\$ 92,339	\$ 93,844
Equity In Income of Joint Venture	o	o	o	45
Income Allocated to Minority Interest	[2,657]	[2,186]	[2,813]	[305]
Disposition of Interest Rate Protection Agreement	o	o	o	[8,475]
Income from Operations	20,171	22,265	23,015	6,897
Gain on Sales of Properties	2,360	16	693	2,280
Income Before Extraordinary Loss and Cumulative Effect of				
Change in Accounting Principle	22,531	22,281	23,708	9,177
Cumulative Effect of Change in Accounting Principle	o	[1,976]	o	o
Net Income	22,531	20,305	23,708	9,177
Preferred Stock Dividends	[5,978]	[8,210]	[8,211]	[8,211]
Net Income Available to Common Stockholders	\$ 16,553	\$ 12,095	\$ 15,497	\$ 966

EARNINGS PER SHARE:

Net Income Available to Common Stockholders Before Extraordinary Loss
and Cumulative Effect of Change in Accounting Principle per Weighted

Average Common Share Outstanding:

Basic	\$.45	\$.38	\$.41	\$.03
Diluted	\$.45	\$.37	\$.41	\$.03

Net Income Available to Common Stockholders per Weighted

Average Common Share Outstanding:

Basic	\$.45	\$.32	\$.41	\$.03
Diluted	\$.45	\$.32	\$.41	\$.03

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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

The Company had 533 common stockholders of record as of March 10, 2000.

Quarter Ended	High	Low	Distribution Declared
December 31, 1999 . . .	\$ 28 ⁵ / ₁₆	\$ 23 ⁹ / ₁₆	\$ 0.6200
September 30, 1999 . . .	27 ¹¹ / ₁₆	24 ¹ / ₈	\$ 0.6000
June 30, 1999	28 ³ / ₁₆	22 ¹¹ / ₁₆	\$ 0.6000
March 31, 1999	27 ⁷ / ₈	23 ³ / ₈	\$ 0.6000
December 31, 1998 . . .	27 ⁷ / ₈	23 ⁵ / ₁₆	\$ 0.6000
September 30, 1998 . .	32 ³ / ₄	22 ³ / ₄	\$ 0.5300
June 30, 1998	35 ¹ / ₂	29 ⁵ / ₈	\$ 0.5300
March 31, 1998	37 ¹ / ₁₆	33 ³ / ₈	\$ 0.5300

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MICHAEL W. BRENNAN
President and
Chief Executive Officer



GARY H. HEIGL
Chief Operating Officer



MICHAEL J. HAVALA
Chief Financial Officer,
Secretary and Treasurer



JOHANSSON LEE YAP
Chief Investment Officer



ANTHONY MUSCATELLO
President,
Development Services

DIRECTORS

Jay H. Shidler^{§†}

Chairman
First Industrial Realty Trust, Inc.
President
The Shidler Group
Chairman
Corporate Office Properties Trust, Inc.
and *CGA Group, Ltd.*

Michael W. Brennan^{§†}

President and
Chief Executive Officer
First Industrial Realty Trust, Inc.

Michael G. Damone[†]

Director of Strategic Planning
First Industrial Realty Trust, Inc.

John L. Leshner^{§†}

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Director
The Sound Shore Fund
Mondial Ltd.

Kevin W. Lynch^{*}

Principal
The Townsend Group

John Rau^{*}

President, Chief Executive Officer
and Director
Chicago Title Corporation

Robert J. Slater[†]

President
Jackson Consulting, Inc.
Director
Southdown, Inc.

W. Ed Tyler

President and
Chief Executive Officer
Moore Corporation Limited

J. Steven Wilson^{§*}

Chairman, President and
Chief Executive Officer
Riverside Group, Inc.
Buildscape, Inc.
Chairman and
Chief Executive Officer
Wickes Lumber Co.

[§] Nominating Committee

[†] Compensation Committee

^{*} Audit Committee

[‡] Investment Committee

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Secretary and Treasurer

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Chief Investment Officer

Anthony Muscatello
President,
Development Services

A. Richard Astheimer
Senior Vice President,
Development Services

John Clayton
Vice President, Corporate Legal

Roger Daluga
Vice President, Finance/Program Director

Tim Gallagher
Senior Vice President,
Integrated Industrial Solutions™

Robert H. Muir
Executive Vice President,
Development Services

Scott A. Musil
Vice President and Controller

Mark A. Saturno
Senior Vice President, Portfolio Management

Christopher M. Schneider
Senior Vice President, MIS and Accounting

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New York Stock Exchange, Symbol: FR

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GENERAL COUNSEL

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Barack, Ferrazzano, Kirschbaum,
Perlman & Nagelberg
Chicago, Illinois

10-K REPORT

A copy of the Company's Form 10-K as filed with the Securities and Exchange Commission may be obtained by contacting Director of Communications, First Industrial Realty Trust, Inc.

ANNUAL MEETING

The Annual Meeting of Shareholders of First Industrial Realty Trust, Inc., will be held on Wednesday, May 17, 2000 at 9:00 a.m. CDT, Sears Tower, 33rd Floor, Lincoln Room, 233 South Wacker Drive, Chicago, Illinois