

DEFINING SPACE

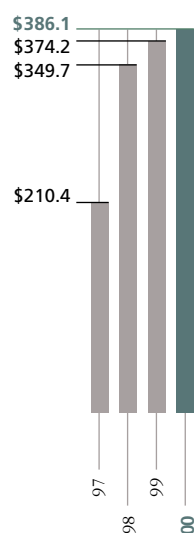


2000 Annual Report

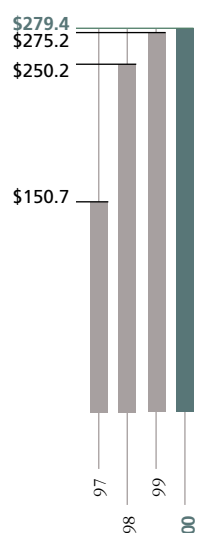
Financial Highlights

FINANCIAL (In thousands for year ended December 31)

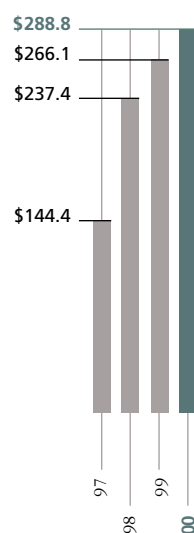
	2000	1999	1998
Total Revenues	\$ 386,068	\$ 374,155	\$ 349,702
Net Operating Income	279,353	275,160	250,218
Funds From Operations (FFO)	169,188	151,026	133,148
PROPERTY PORTFOLIO (Owned and managed at year end)			
Number of In-Service Properties	969	967	987
Gross Leasable Area	68,242,713	67,029,135	69,253,383
Occupancy Rate	95.3%	95.5%	95.0%
PER SHARE DATA ON COMMON STOCK			
Dividends Declared	\$ 2.52	\$ 2.42	\$ 2.19
Annualized Dividend	\$ 2.63	\$ 2.48	\$ 2.40
Funds From Operations (FFO)	\$ 3.66	\$ 3.33	\$ 3.01



Total Revenues
In millions



Net Operating Income
In millions



EBITDA
In millions



Real Estate Assets
In millions

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Michael W. Brennan
President and
Chief Executive Officer

We had a very good year in 2000.

Owning industrial real estate again proved to be a profitable and stable business. Our Funds From Operations (FFO) grew 10 percent to \$3.66 per share, driven by rising rental rates in nearly all of our markets. Our FFO also grew through the introduction of our corporate real estate program, which we call Integrated Industrial Solutions™ (IIS™). Our growing and stable earnings prospects allowed us to raise our dividend by six percent to \$2.63 per share.

The past performance and present strength of our company and the business we are in were recognized by the marketplace in 2000. Our common stock rose 23.9 percent in value during 2000. That price appreciation, together with our dividend, gave shareholders a total return of 37.3 percent.

Clearly, our earnings growth and increased shareholder value are positives, for us and our shareholders. But I am even more excited about the improvements to our company that have made us a far stronger, more formidable force in the industrial real estate industry and what such improvements mean for our future.

Three key accomplishments in particular stand out. The first is our geographic refocus. We concentrated our new investment activity in the nation's top 25 industrial markets. We also sold properties in eight markets not within the top 25. Our geographic refocus brought positive results. It was an important contributor for producing same property net income growth of 5.2 percent.

Our second key accomplishment in 2000 was the successful launch of Integrated Industrial Solutions™. As the name suggests, Integrated Industrial Solutions™ helps companies improve supply chain efficiencies and solve their industrial real estate issues through development, acquisition and leasing. We were correct in predicting that corporations would be repairing and reconfiguring their supply chains and would need a large national industrial real estate company to help them. In its first full year, Integrated Industrial Solutions™ generated \$21 million in profit and filled the pipeline with more than \$350 million worth of potential new work for 2001.

Our third key accomplishment was maintaining our self-funding capability. Self-funding means that capital for new investments (buying and developing buildings) comes from the profits on the sale of existing buildings and from operational cash flow, freeing us from depending on raising new capital in the capital markets. Unlike real estate companies that rely on the sale of a few large assets to fund new purchases, our funding came from more than 47 sale transactions.



The strength of our business also improved every important financial measure of our company. Our fixed charge coverage ratio rose to 2.4 times. The percentage of our common stock dividend to our earnings (the payout ratio) improved to 68.3 percent. Our balance sheet remains exceptionally strong with average debt maturities of over 13 years. With the exception of our revolving line of credit, all of our debt is fixed rate. Our debt and our preferred stock are investment grade rated by Moody's Investor Service, Standard & Poor's Ratings Group, and Fitch IBCA. Additionally, in 2000 our Board of Directors authorized a \$100 million stock repurchase program, allowing us to further expand our investment options.

OUR BUSINESS

Our business is owning industrial real estate. The vast majority of our revenue comes from leasing our properties to corporations across America. Our tenants include Procter & Gamble, General Electric, General Motors, Hewlett-Packard, McDonald's and International Paper. We also lease to a variety of middle-market companies—both public and private—representing one of the fastest growing segments of American business. The balance of our revenue is derived from Integrated Industrial Solutions™, our corporate real estate service. Integrated Industrial Solutions™ builds for, purchases from, leases and sells buildings to companies that need to improve or repair their industrial facility networks, the backbone of America's supply chain.

We own facilities from coast to coast, but we manage them locally. Our broad geographic reach diversifies and strengthens our earnings, while our local presence allows us to take advantage of unique opportunities in particular cities or regions. In financial terms, local management reduces operating and execution risks.

The total industrial real estate market in the United States is approximately 20 billion square feet. By both square footage and aggregate value it is larger than office and retail combined. Over the past ten years, new construction has added, on average, 230 million square feet per year. Corporations own approximately 70 percent of the domestic market. The balance is owned by a fragmented group of investors, including pension funds, individuals, real estate partnerships and, of course, REITs. Publicly-traded REITs own less than two percent of the total U.S. industrial real estate market.

Industrial real estate has been the most stable and profitable segment of the commercial property business for more than 20 years. Since 1980, national occupancies have averaged well above 90 percent.

We own facilities from coast to coast, but we manage them locally. Our broad geographic reach diversifies and strengthens our earnings, while our local presence allows us to take advantage of unique opportunities in particular cities or regions.



The acronym I-N-D-L sums up our strategy: “I” refers to our industrial focus, “N” to our national presence, “D” to our commitment to provide diverse facility types and services, and “L” to full service local management across the U.S.

These facts about our industry lead us to three very important conclusions:

- The U.S. industrial market gives us an enormous platform for growth.
- The U.S. industrial market gives us a stable and lucrative arena in which to grow.
- Serving the needs of Corporate America gives us a unique opportunity for continued profitability and success.

OUR STRATEGY

The acronym I-N-D-L sums up our strategy: “I” refers to our pure industrial focus, “N” to our national presence, “D” to our commitment to provide diverse facility types and services, and “L” to full service local management across the continental U.S.

We intend to remain exclusively devoted to industrial real estate throughout the continental U.S. The size and stability of this market make us confident we can grow larger and stronger, year after year. We can meet Corporate America’s needs with our diversified offering of industrial facilities. This links us to companies’ supply chains, which links us to the very backbone of their enterprises.

Our customers will also benefit from our human capital infrastructure, which features local real estate experts in each of our markets. This allows us to better respond to any request for any facility type, whether in one market or multiple markets.

THE FUTURE

Any company that aspires to be the U.S. leader in industrial real estate must be able to take advantage of two major opportunities. The first opportunity is presented by the sector’s sheer size and the attendant fragmentation and inefficiency. At First Industrial, our national coverage (the “N” in I-N-D-L), our ability to build or buy diverse industrial facilities (“D”), and our ability to respond quickly, accurately and on simultaneous fronts with local managers (“L”) ensures that we can capitalize fully on any opportunity in this huge market. As the only company in our industry with a complete I-N-D-L infrastructure, we are better equipped than anyone to do so.

The second major opportunity results from the corporate ownership of the vast majority of U.S. industrial real estate. These corporations typically maintain many different types of properties throughout the country. We believe that only a national company with an understanding of diverse facility types and complete local support can truly meet the market’s needs. And as our I-N-D-L infrastructure is unique in the industry, we believe there is no company in a better position to reap the benefits of the corporate market.



We call our corporate real estate service capability Integrated Industrial Solutions™ to reinforce that we provide a full range of industrial facility solutions across the country. We made Corporate America aware of our unique capabilities only this past year, and they responded enthusiastically. In our first year alone, we posted after-tax earnings of \$21 million in Integrated Industrial Solutions™-related activities. I'd like to thank Procter & Gamble (1.7 million square feet), Pactiv (Hefty® bags) (1.1 million square feet), Ames True Temper Hardware (1.2 million square feet), General Motors (390,000 square feet), General Electric (532,000 square feet), Hewlett-Packard (150,000 square feet), Wal-Mart (525,000 square feet) and Tower Automotive (300,000 square feet)—among many others—for their business, trust and support.

The future belongs to the company that can capitalize on the size of our industry and serve Corporate America. Our competition today falls essentially into two camps: companies that restrict their activities to one geographic market or companies whose expertise is limited to one facility type. With a national presence and diverse industrial facility types, First Industrial will not be bound by barriers that keep us from growing or serving our customers.

ACKNOWLEDGMENTS

In the year 2000, we dedicated our Business Plan to “the best people making the best company.” For their outstanding effort, I'd like to thank all of our employees from coast to coast. We have a talented group of men and women with an unmatched ability to execute and, as a consequence, an unmatched potential to create value for shareholders. We thank our customers for the privilege of serving their needs, and we thank the real estate brokerage community for their reliable and loyal service, providing us with never-ending opportunities.

I would also like to thank my fellow members of our Board of Directors. Their support and guidance to me and our entire management team was important to our success and will continue to be so as we take advantage of the abundant opportunities in our business.

Most of all, I thank you, our fellow shareholders, for the trust in us that you have shown. I assure you that being the guardians of your investment in our company is a responsibility that we never forget, and we appreciate your continued confidence.

Michael W. Brennan
President and Chief Executive Officer
March 15, 2001

*We call our corporate
real estate service capability
Integrated Industrial Solutions™
to reinforce that we
provide a full range of
industrial facility solutions
across the country.*

I · N · D · L

First Industrial's unique operating infrastructure positions us as the leading provider of industrial real estate for U.S. corporations doing business nationally, regionally or locally. Our I-N-D-L strategy involves four key aspects that let us capitalize on a huge market opportunity by serving Corporate America's needs better than our competition. Those aspects are:

(I) INDUSTRIAL REAL ESTATE – First Industrial develops, buys, sells and operates only industrial real estate, which is the most stable and best performing of all commercial classes. Our properties are leased or sold to corporations that manufacture, design, package, store and distribute goods in a variety of industries. Focusing solely on the industrial segment results in a deeper understanding of our clients' needs, a higher quality product and superior customer service.

(N) NATIONAL SCOPE – Our 68 million square foot portfolio includes properties in each of the nation's top markets. This greatly simplifies things for our clients by allowing them to work with a single supplier as their companies grow and change. It also makes us an invaluable ally in the efficient management of their supply chains. Plus, our national presence creates economies of scale that increase our value to the corporations we serve.

(D) DIVERSIFICATION – Unlike those of our competitors, First Industrial's portfolio is also diversified by the types of facilities we offer. Diversification allows First Industrial to give our customers a broader range of choices, which increases their likelihood of finding precisely the facilities they need. This clear customer commitment leads to more completed transactions, greater stability and increased profitability.


(L) LOCAL MANAGEMENT – First Industrial's local managers average more than 20 years of industrial real estate experience and have strong ties to their communities. By managing locally, we improve our ability to respond quickly and accurately to our customers. This lowers operating risk and further increases customer satisfaction. As a result, we boast one of the highest rates of repeat business in the industry.



They're really connected
at the **LOCAL** level.
That helps a lot.

They have the right type of
FACILITY for every aspect
of our business.

If we stay **LOCAL**,
they're the best. If we go
REGIONAL, not a problem.
NATIONAL? You bet.



Our **FACILITIES** are now
one of the strongest links in
our supply chain.

One call and they'll help you
add **CAPABILITIES**
anywhere in the country.

When your **NEEDS** change,
you're not boxed in.

They're the only people
I know with this
many **OPTIONS** in this
many places.



INTEGRATED INDUSTRIAL SOLUTIONS™

(IIS™) is the First Industrial division created to help Corporate America keep pace with its rapidly evolving industrial real estate needs, including the challenges of efficient supply chain management. It is the means through which our clients enjoy the benefits of our I-N-D-L infrastructure.


Integrated Industrial Solutions™ lets us offer our customers turnkey support on a local, regional or national basis. It showcases the industrial expertise of our local market managers. It capitalizes on the variety of specialized properties we offer. And it reflects our unique ability to accommodate the requests of our clients, whether they are looking to build, buy, sell or lease. For large and small corporations alike, IIS™ is how we put Corporate America's ideas into action.

DEVELOPMENT

OUR DEVELOPMENT SERVICES DIVISION

gives us a unique ability to offer a full complement of build-to-suit services, including site searches, cost-effective design, trend analysis, construction, providing additional land for future growth and even purchasing existing facilities. With our local expertise, national reach and top development managers averaging over 25 years of experience, we are uniquely equipped to develop everything from hi-tech centers to giant distribution facilities.

At First Industrial, we continue to meet our clients' development needs by continually improving our own capabilities. We've worked long and hard to build our portfolio, create our I-N-D-L infrastructure, hire the most skilled professionals and keep our operational focus sharp. We also think it's why so many of the world's best companies bring us their development challenges, and why so many of our customers keep returning to us with new ones.



We needed **FLEXIBILITY**
with our building and
site characteristics.
They delivered.

They actually bought the
adjacent land in case we
need to **EXPAND**.

I asked what happens if
business changes. They showed
me how the building can
CHANGE, too.



You can't run a **HIGH-TECH** business in a low-tech building. They're certainly on-line with that.

"INDUSTRIAL" can't be lumped into one big category. They realize our needs are specialized and they have properties to match.

Now the **PRODUCT** can get in and out fast. The right facility makes all the difference.

MANUFACTURING, WAREHOUSING, FREIGHT... they have whatever we need.

CLASSIFICATION

First Industrial has developed a system used to classify the types of industrial real estate. It is our hope that this effort to standardize and unify terminology will be adopted industrywide.

WAREHOUSE DISTRIBUTION buildings are designed for the dual purpose of warehousing and distributing goods. They are typically characterized by a rectangular shape, high ceilings and sufficient loading capacities to facilitate the transfer of goods.

MANUFACTURING is a diverse category of buildings designed to promote efficiency in the various aspects of manufacturing, including raw material processing, production, assembly, maintenance and repair.

FLEX buildings are upscale hybrids well-suited for technology and service tenants. They feature better aesthetics and a higher percentage of office build-out. Their construction costs are also higher, resulting in higher rental rates.

MULTI-TENANT are smaller buildings designed to house multiple businesses. A common configuration might include several 10,000 square-foot (or smaller) tenants, in various industries, all located in a single building.

FREIGHT buildings are a key component of supply chain management. Their design facilitates freight forwarding. Their unique physical characteristics include low square foot to dock ratios, low site coverage, and space allocation based on cargo transfer rather than warehousing, manufacturing or office.

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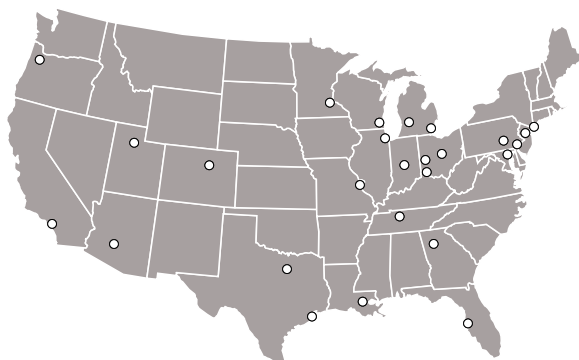
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Selected Financial and Operating Data

(In thousands, except per share, ratio and property data)

	Year Ended 12/31/00	Year Ended 12/31/99	Year Ended 12/31/98	Year Ended 12/31/97	Year Ended 12/31/96
STATEMENTS OF OPERATIONS DATA:					
Total Revenues	\$ 386,068	\$ 374,155	\$ 349,702	\$ 223,203	\$ 140,055
Property Expenses	(108,983)	(98,995)	(99,484)	(59,762)	(39,224)
General and Administrative Expense	(17,129)	(13,259)	(12,983)	(6,248)	(4,018)
Interest Expense	(83,925)	(79,869)	(71,833)	(49,859)	(28,954)
Amortization of Interest Rate Protection Agreements and Deferred Financing Costs	(1,750)	(1,362)	(917)	(2,812)	(3,286)
Depreciation and Other Amortization	(66,989)	(68,412)	(63,805)	(39,573)	(28,049)
Valuation Provision on Real Estate Held for Sale (A)	(2,900)	—	—	—	—
Restructuring and Abandoned Pursuit Costs Charge (B)	—	—	(11,941)	—	—
Equity in Income of Joint Ventures	571	302	45	—	—
Disposition of Interest Rate Protection Agreements (C)	—	—	(8,475)	1,430	—
Income Allocated to Minority Interest	(16,395)	(17,609)	(7,961)	(5,312)	(2,931)
Gain on Sales of Real Estate	29,296	29,797	5,349	5,003	4,344
Income Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle	117,864	124,748	77,697	66,070	37,937
Extraordinary Loss (D)	—	—	—	(14,124)	(2,273)
Cumulative Effect of Change in Accounting Principle (E)	—	—	(1,976)	—	—
Net Income	117,864	124,748	75,721	51,946	35,664
Preferred Stock Dividends	(32,844)	(32,844)	(30,610)	(11,856)	(3,919)
Net Income Available to Common Stockholders	\$ 85,020	\$ 91,904	\$ 45,111	\$ 40,090	\$ 31,745
Net Income Available to Common Stockholders Before Extraordinary Loss and Cumulative Effect of Change in Accounting Principle Per Weighted Average Common Share Outstanding:					
Basic	\$ 2.20	\$ 2.42	\$ 1.26	\$ 1.72	\$ 1.37
Diluted	\$ 2.18	\$ 2.41	\$ 1.25	\$ 1.70	\$ 1.37
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:					
Basic	\$ 2.20	\$ 2.42	\$ 1.20	\$ 1.27	\$ 1.28
Diluted	\$ 2.18	\$ 2.41	\$ 1.20	\$ 1.26	\$ 1.28
Distributions Per Share	\$ 2.5175	\$ 2.420	\$ 2.190	\$ 2.045	\$ 1.9675
Weighted Average Number of Common Shares Outstanding:					
Basic	38,661	38,042	37,445	31,508	24,756
Diluted	38,917	38,144	37,627	31,814	24,842
BALANCE SHEET DATA (END OF PERIOD):					
Real Estate, Before Accumulated Depreciation	\$ 2,440,810	\$ 2,597,592	\$ 2,583,033	\$ 1,994,346	\$1,050,779
Real Estate, After Accumulated Depreciation	2,221,109	2,386,136	2,407,147	1,873,316	959,322
Real Estate Held for Sale, Net	236,422	—	—	—	—
Total Assets	2,618,493	2,526,963	2,554,462	2,272,163	1,022,600
Mortgage Loans Payable, Net, Acquisition Facilities Payable, Senior Unsecured Debt, Net and Promissory Notes Payable	1,221,356	1,147,639	1,191,882	879,592	406,401
Defeased Mortgage Loan Payable	—	—	—	300,000	—
Total Liabilities	1,373,288	1,276,763	1,310,518	1,266,079	447,178
Stockholders' Equity	1,058,372	1,059,226	1,054,776	854,590	532,561
OTHER DATA:					
Cash Flows from Operating Activities	\$ 160,241	\$ 176,897	\$ 149,096	\$ 102,635	\$ 62,621
Cash Flows from Investing Activities	(87,300)	(10,040)	(535,554)	(805,505)	(240,571)
Cash Flows from Financing Activities	(67,819)	(186,071)	395,059	708,446	176,677
Total Properties (F)	969	967	987	769	379
Total GLA, in Square Feet (F)	68,242,713	67,029,135	69,253,383	56,567,706	32,700,069
Occupancy Percentage (F)	95%	96%	95%	96%	97%

- (A) Represents a valuation provision on real estate held for sale on the Company's exit market portfolio in Grand Rapids, Michigan.
- (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) On May 16, 1997, the Company sold interest rate protection agreements relating to its \$300.0 million mortgage loan 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.
- (D) 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.
- (E) 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, 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.
- (F) 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 interests in its properties and land parcels are held through partnerships controlled by the Company, including First Industrial, L.P. (the "Operating Partnership"), of which the Company is the sole general partner, as well as, among others, First Industrial Financing Partnership, L.P., First Industrial Securities, L.P., First Industrial Mortgage Partnership, L.P., First Industrial Pennsylvania, L.P., First Industrial Harrisburg, L.P., First Industrial Indianapolis, L.P., First Industrial Development Services, L.P. and TK-SV, LTD., of which the sole general partner of each is a wholly-owned subsidiary of the Company, and the sole limited partner of each is the Operating Partnership, as well as limited liability companies of which the Operating Partnership is the sole member. The Company is also the majority economic stockholder of 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.

RESULTS OF OPERATIONS

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

At December 31, 2000, the Company owned 969 in-service properties with approximately 68.2 million square feet of gross leasable area ("GLA"), compared to 967 in-service properties with approximately 67.0 million square feet of GLA at December 31, 1999. During 2000, the Company acquired 83 in-service properties containing approximately 5.8 million square feet of GLA and one property under redevelopment, completed development of 26 properties and redevelopment of two properties totaling approximately 4.1 million square feet of GLA and sold 108 in-service properties totaling approximately 9.2 million square feet of GLA, one out of service property and several land parcels. The Company also took three properties out of service that are under redevelopment, comprising approximately .1 million square feet of GLA and placed in service two properties comprising approximately .6 million square feet of GLA.

Rental income and tenant recoveries and other income increased \$11.9 million or 3.2%. The increase in rental income is primarily due to same store growth in rental income as well as an increase in the average GLA for the twelve months ended December 31, 2000 compared to December 31, 1999. The increase in tenant recoveries and other income is primarily due to an increase in property expenses as discussed below. Rental

income and tenant recoveries and other income from properties owned prior to January 1, 1999 increased by approximately \$11.4 million or 4.1% due primarily to general rent increases and an increase in recoverable income due to an increase in property expenses as discussed below.

Property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses increased by approximately \$10.0 million or 10.1% due primarily to increases in all property expense categories other than utilities. The increase in real estate tax expense is due primarily to an increase in average GLA for the year ended December 31, 2000 compared to the year ended December 31, 1999, as well as general increase in real estate taxes in many of the Company's markets. The increase in repairs and maintenance expense is due primarily to an increase in landscaping and maintenance expenses. The increase in property management expense is primarily due to the opening of a regional office in California in the third quarter of 1999 as well as general pay increases. Insurance expense increased due primarily to an increase in average GLA in 2000 compared to 1999 as well as rate increases. Other expense increased due primarily to an increase in master lease payments associated with certain properties during the year ended December 31, 2000 compared to the year ended December 31, 1999. Property expenses from properties owned prior to January 1, 1999 increased \$5.5 million or 7.2% due primarily to the explanations above.

General and administrative expense increased by approximately \$3.9 million due primarily to general pay increases and additional employees.

Interest expense increased by approximately \$4.1 million for the year ended December 31, 2000 compared to the year ended December 31, 1999. The increase is primarily due to an increase in the weighted average interest rate for the year ended December 31, 2000 (7.32%) compared to the year ended December 31, 1999 (7.16%) and an increase in the average debt balance outstanding. The average debt balance outstanding for the year ended December 31, 2000 and 1999 was approximately \$1,226.6 million and \$1,201.8 million, respectively.

Amortization of deferred financing costs increased by approximately \$.4 million due primarily to amortization of additional deferred financing costs relating to the Company's \$300.0 million unsecured line of credit (the "1997 Unsecured Acquisition Facility") and the Company's 2000 Unsecured Acquisition Facility (defined below), which amended and restated the 1997 Unsecured Acquisition Facility.

Depreciation and other amortization decreased by approximately \$1.4 million due primarily to the Company ceasing depreciation and amortization on properties it considers held for sale as well as due to properties sold subsequent to December 31, 1998. This decrease is offset by depreciation and amortization related to properties acquired or developed subsequent to December 31, 1998.

The valuation provision on real estate held for sale of \$2.9 million for the year ended December 31, 2000 represents a valuation provision on the Company's exit market portfolio in Grand Rapids, Michigan.

The \$29.3 million gain on sale of real estate for the year ended December 31, 2000 resulted from the sale of 109 industrial properties and several land parcels. Gross proceeds from these sales were approximately \$433.7 million.

The \$29.8 million gain on sale of real estate 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.

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, 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 two industrial real estate joint ventures 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 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 \$1,201.8 million and \$1,058.4 million, 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 one of the Company's two industrial real estate joint ventures as opposed to a partial year of operations in 1998 and the start-up of the other one of the Company's industrial real estate joint ventures.

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 sale of real estate 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 sale of real estate 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.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000, the Company's cash and cash equivalents were approximately \$7.7 million and restricted cash was approximately \$24.2 million. Included in restricted cash are approximately \$1.2 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 \$23.0 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.

Year Ended December 31, 2000

Net cash provided by operating activities of approximately \$160.2 million for the year ended December 31, 2000 was comprised primarily of net income before minority interest of approximately \$134.3 million, adjustments for non-cash items of approximately \$44.5 million offset by the net change in operating assets and liabilities of approximately \$18.6 million. The adjustments for the non-cash items of approximately \$44.5 million are primarily comprised of depreciation and amortization of approximately \$72.3 million, a valuation provision on real estate held for sale on a portfolio of properties located in Grand Rapids, Michigan of approximately \$2.9 million and a provision for bad debts of approximately \$.1 million, offset by the gain on sale of real estate of approximately \$29.3 million and the effect of the straight-lining of rental income of approximately \$1.5 million.

Net cash used in investing activities of approximately \$87.3 million for the year ended December 31, 2000 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 an increase in restricted cash from sales proceeds deposited with an intermediary for Section 1031 exchange purposes, offset by the net proceeds from the sale of real estate, distributions from the Company's two industrial real estate joint ventures and the repayment of mortgage loans receivable.

Net cash used in financing activities of approximately \$67.8 million for the year ended December 31, 2000 was comprised primarily of repayments on mortgage loans payable, the purchase of treasury shares and restricted stock, the purchase of U.S. Government securities used as substitute collateral to execute a legal defeasance of a portion of the 1995 Mortgage Loan, common and preferred stock dividends, and unit distributions and debt issuance costs incurred in conjunction with the 2000 Unsecured Acquisition Facility (defined below), offset by the net borrowings under the Company's lines of credit and net proceeds from the exercise of employee stock options.

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 sale of real estate 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 Company's two industrial real estate joint ventures and the funding of mortgage loans receivable, offset by the net proceeds from the sale of real estate, distributions from one of the Company's industrial real estate joint ventures, 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 affect 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 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 one of the Company's industrial real estate joint ventures 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 Company's \$300.0 million mortgage loan, offset by repayments of mortgage loans and common and preferred stock dividends and unit distributions.

Segment Reporting

Management views the Company as a single segment.

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

During the year ended December 31, 2000, the Company purchased 83 in-service industrial properties and one industrial property under redevelopment comprising approximately 5.8 million square feet of GLA as well as several land parcels, for an aggregate purchase price of approximately \$323.5 million, excluding costs incurred in conjunction with the acquisition of the properties and land parcels. The Company also completed the development of 26 industrial properties and two properties under redevelopment comprising approximately 4.1 million square feet of GLA at a cost of approximately \$148.0 million.

During the year ended December 31, 2000, the Company sold 109 industrial properties comprising 9.6 million square feet of GLA and several land parcels. Gross proceeds from these sales were approximately \$433.7 million.

The Company has committed to the construction of 21 development projects totaling approximately 4.0 million square feet of GLA for an estimated investment of approximately \$177.7 million. Of this amount, approximately \$90 million remains to be funded. These developments are expected to be funded with cash flow from operations, proceeds from the sale of select properties of the Company and borrowings under the Company's 2000 Unsecured Acquisition Facility (defined below).

From January 1, 2001 to March 2, 2001, the Company acquired 21 industrial properties and several land parcels for a total estimated investment of approximately \$71.4 million. The Company also sold two industrial properties and one land parcel for approximately \$2.7 million of gross proceeds.

Real Estate Held for Sale

The Company plans on exiting the markets of Cleveland, Columbus, Dayton, Des Moines, Grand Rapids, Long Island and New Orleans/Baton Rouge as well as continually engages in identifying and evaluating its other real estate markets for potential sales candidates. At December 31, 2000, the Company had 85 industrial properties comprising approximately 8.0 million square feet of GLA held for sale. Income from operations of the 85 industrial properties held for sale for the year ended December 31, 2000, 1999 and 1998 is approximately \$22.4 million, \$18.5 million and \$17.6 million, respectively. Net carrying value of the 85 industrial properties held for sale at December 31, 2000 is approximately \$236.4 million. There can be no assurance that such properties held for sale will be sold.

Investments in Joint Ventures

During the year ended December 31, 2000, the Company, through wholly-owned limited liability companies in which the Operating Partnership is the sole member, received, in the aggregate, approximately \$2.8 million in asset management and property management fees from two industrial real estate joint ventures. The Company, through wholly-owned limited liability companies in which the Operating Partnership is the sole member, received distributions of approximately \$.9 million from the two industrial real estate joint ventures. As of December 31, 2000, the two industrial real estate joint ventures owned 177 industrial properties comprising approximately 8.3 million square feet of GLA. On or after October 2000, under certain circumstances, the Company has the option of purchasing all of the properties owned by one of the joint ventures at a price to be determined in the future. The Company has not exercised this option.

Mortgage Loans Payable

In June 2000, the Company purchased approximately \$1.2 million of U.S. Government securities as substitute collateral to execute a legal defeasance of approximately \$1.2 million of the 1995 Mortgage Loan. The terms of the legal defeasance require the Company to use the gross proceeds from the maturities of the U.S. Government securities to paydown and subsequently retire the defeased portion of the 1995 Mortgage Loan in January 2003. Upon the execution of the legal defeasance, one of the 23 properties collateralizing the 1995 Mortgage Loan was released and subsequently sold.

Acquisition Facility Payable

In June 2000, the Company amended and restated its 1997 Unsecured Acquisition Facility which gives the Company the right, subject to certain conditions, to increase the aggregate commitment up to \$400.0 million as well as extended the maturity of the 1997 Unsecured Acquisition Facility to June 30, 2003 (the "2000 Unsecured Acquisition Facility").

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, 2000 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, 2000, \$170.0 million (approximately 14% of total debt at December 31, 2000) of the Company's debt was variable rate debt (all of the variable rate debt relates to the Company's 2000 Unsecured Acquisition Facility) and \$1,051.4 million (approximately 86% of total debt at December 31, 2000) 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 senior unsecured debt. 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 5 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, 2000, 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 \$1.3 million per year. A 10% increase in interest rates would decrease the fair value of the fixed rate debt at December 31, 2000 by approximately \$45.9 million to \$977.0 million. A 10% decrease in interest rates would increase the fair value of the fixed rate debt at December 31, 2000 by approximately \$51.0 million to \$1,073.9 million. A 10% increase in interest rates would decrease the fair value of the Written Options at December 31, 2000 by approximately \$4.1 million to \$8.0 million. A 10% decrease in interest rates would increase the fair value of the Written Options at December 31, 2000 by approximately \$5.5 million to \$17.6 million.

Issuance of Restricted Stock and Employee Stock Options

During the year ended December 31, 2000, the Company awarded 355,139 shares of restricted common stock to certain employees and 3,663 shares of restricted common stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 14,903 shares of restricted common stock. These shares of restricted common stock had a fair value of approximately \$9.7 million on the date of grant. The restricted common stock vests over periods from one to ten years.

During the year ended December 31, 2000, the Company issued 937,250 non-qualified employee stock options to certain officers, Directors and employees of the Company. These non-qualified employee stock options vest over periods from one to three years, have a strike price of \$27.25 - \$30.00 per share and expire ten years from the date of grant.

Treasury Stock

In March 2000, the Company's Board of Directors approved the repurchase of up to \$100.0 million of the Company's common stock. The Company may make purchases from time to time, if price levels warrant, in the open market or in privately negotiated transactions. During the year ended December 31, 2000, the Company repurchased 394,300 shares of its common stock at a weighted average price per share of approximately \$29.67.

Common Stock

For the year ended December 31, 2000, certain employees of the Company exercised 518,550 non-qualified employee stock options. Gross proceeds to the Company were \$12.5 million.

Dividends/Distributions

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 April 17, 2000, the Company and the Operating Partnership paid a first quarter 2000 distribution of \$.62 per common share/unit, totaling approximately \$28.5 million. On July 17, 2000, the Company and the Operating Partnership paid a second quarter 2000 distribution of \$.62 per common share/unit, totaling approximately \$28.6 million. On October 23, 2000, the Company and the Operating Partnership paid a third quarter 2000 distribution of \$.62 per common share/unit, totaling approximately \$28.4 million. On January 22, 2001, the Company and the Operating Partnership paid a fourth quarter 2000 distribution of \$.6575 per common share/unit, totaling approximately \$30.3 million.

On March 31, 2000, June 30, 2000, October 2, 2000 and January 2, 2001, 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 8¼%, \$.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 8%, \$.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, 2000, June 30, 2000, September 30, 2000 and December 31, 2000 totaled, in the aggregate, approximately \$8.2 million per quarter.

On March 9, 2001, the Company declared a first quarter dividend of \$.6575 per common share/unit on its common stock/units which is payable on April 23, 2001. 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 April 2, 2001.

Preferred Stock

On March 9, 2001, the Company called for the redemption of all of its outstanding Series A Preferred Stock at the price of \$25.00 per share, plus accrued and unpaid dividends. The redemption date will be April 9, 2001.

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, 2000 and March 2, 2001, \$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 2000 Unsecured Acquisition Facility. At December 31, 2000, borrowings under the 2000 Unsecured Acquisition Facility bore interest at a weighted average interest rate of 7.26%. As of March 2, 2001, the Company had approximately \$28.9 million available in additional borrowings under the 2000 Unsecured Acquisition Facility.

Related Party Transactions

The Company periodically engages in transactions for which CB Richard Ellis, Inc. acts as a broker. A relative of one of the Company's officers/Directors is an employee of CB Richard Ellis, Inc. For the year ended December 31, 2000, this relative received approximately \$.06 million in brokerage commissions paid by the Company.

The Company periodically utilizes consulting services from the private consulting firm of one of the Company's Directors. For the year ended December 31, 2000, the Company has paid approximately \$.01 million of fees to this entity.

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 a 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.

In January and February 2001, FR Development Services, Inc. ("FRDS") purchased all of the voting and non-voting shares (a total of 25,790 shares) of FRDS held by certain executive officers of the Company for approximately \$1.3 million, in connection with FRDS' election to become a wholly owned taxable REIT subsidiary of the Company. At the time of the transaction, these executive officers had equity interests in FRDS totaling 2.76%.

Environmental

The Company incurred environmental costs of \$.2 million and \$.6 million in 2000 and 1999, respectively. The Company estimates 2001 costs of approximately \$.4 million. The Company estimates that the aggregate cost which needs to be expended in 2001 and beyond with regard to currently identified environmental issues will not exceed approximately \$.9 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

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") on June 1, 1998. Statement of Financial Accounting Standards No. 138 "Accounting for Derivative Instruments and Hedging Activities - An Amendment of FAS Statement 133" was issued in June 2000. FAS 133, as amended, is effective for fiscal years beginning after June 15, 2000 as provided by Statement of Financial Accounting Standards No. 137 issued in July 1999. FAS 133, as amended, requires fair value accounting for all derivatives including recognizing all such instruments on the balance sheet with an offsetting amount recorded in the income statement or as part of comprehensive income. FAS 133, as amended, becomes effective for the Company for the year ending December 31, 2001. FAS 133 did not have an impact on the Company's consolidated financial position, consolidated results of operations or consolidated cash flows.

In March 2000, the FASB issued Statement of Accounting Standards Interpretation 44, Accounting for Certain Transactions Involving Stock Compensation ("Interpretation 44"). Interpretation 44 is generally effective for new stock option grants beginning July 1, 2000. However, the interpretive definition of an employee and certain effective repricing provisions apply to new awards granted after December 15, 1998. Further, the FASB determined that any modifications to current accounting as a

result of this guidance are to be recorded prospectively, effective as of July 1, 2000. The Company has applied the accounting mandated by Interpretation 44 as of July 1, 2000 and there has not been a material impact on the Company's consolidated financial position, consolidated results of operations or consolidated cash flows.

The REIT Modernization Act, which was passed in 1999 and took effect on January 1, 2001, modifies certain provisions of the Internal Revenue Code of 1986, as amended, with respect to the taxation of REITs. Two key provisions of this tax law change will impact future Company operations: the availability of a taxable REIT subsidiary which may be wholly-owned directly by a REIT and a reduction in the required level of distributions by a REIT to 90% of ordinary taxable income. The Company converted its preferred stock subsidiary to a wholly-owned taxable REIT subsidiary in January 2001.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB 101 was required to be implemented in the fourth fiscal quarter of 2000. The adoption of SAB 101 did not have an effect on the Company's results of operations or its financial position as the Company's revenue recognition practices were compliant with the pronouncement.

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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

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

Chicago, Illinois
February 9, 2001

Consolidated Balance Sheets

(Dollars in thousands, except for per share data)

ASSETS	12/31/00	12/31/99
Investment in Real Estate:		
Land	\$ 397,624	\$ 383,938
Buildings and Improvements	1,989,034	2,131,807
Furniture, Fixtures and Equipment	1,437	1,437
Construction in Progress	52,715	80,410
Less: Accumulated Depreciation	(219,701)	(211,456)
Net Investment in Real Estate	2,221,109	2,386,136
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of \$26,318	236,422	—
Cash and Cash Equivalents	7,731	2,609
Restricted Cash	24,215	2,352
Tenant Accounts Receivable, Net	9,793	9,924
Investments in Joint Ventures	6,158	6,408
Deferred Rent Receivable	14,790	17,137
Deferred Financing Costs, Net	12,154	11,581
Prepaid Expenses and Other Assets, Net	86,121	90,816
Total Assets	\$ 2,618,493	\$ 2,526,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage Loans Payable, Net	\$ 102,575	\$ 104,951
Senior Unsecured Debt, Net	948,781	948,688
Acquisition Facility Payable	170,000	94,000
Accounts Payable and Accrued Expenses	93,336	78,946
Rents Received in Advance and Security Deposits	20,104	22,014
Dividends/Distributions Payable	38,492	28,164
Total Liabilities	1,373,288	1,276,763
Minority Interest	186,833	190,974
Commitments and Contingencies	—	—
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, 2000 and December 31, 1999, 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, 38,844,086 and 38,152,811 shares issued and outstanding at December 31, 2000 and 1999, respectively)	392	382
Additional Paid-in-Capital	1,205,052	1,177,364
Distributions in Excess of Accumulated Earnings	(126,962)	(114,451)
Unearned Value of Restricted Stock Grants	(8,812)	(4,087)
Amortization of Stock Based Compensation	383	—
Treasury Shares, at cost (394,300 shares at December 31, 2000)	(11,699)	—
Total Stockholders' Equity	1,058,372	1,059,226
Total Liabilities and Stockholders' Equity	\$ 2,618,493	\$ 2,526,963

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

Consolidated Statements of Operations

(Dollars in thousands, except for per share data)

REVENUES	Year Ended 12/31/00	Year Ended 12/31/99	Year Ended 12/31/98
Rental Income	\$ 303,337	\$ 295,938	\$ 281,660
Tenant Recoveries and Other Income	82,731	78,217	68,042
Total Revenues	386,068	374,155	349,702
EXPENSES			
Real Estate Taxes	59,446	56,573	55,544
Repairs and Maintenance	18,127	16,827	15,303
Property Management	13,738	10,875	13,643
Utilities	9,989	9,933	9,475
Insurance	1,437	832	934
Other	6,246	3,955	4,585
General and Administrative	17,129	13,259	12,983
Interest Expense	83,925	79,869	71,833
Amortization of Deferred Financing Costs	1,750	1,362	917
Depreciation and Other Amortization	66,989	68,412	63,805
Valuation Provision on Real Estate Held for Sale	2,900	—	—
Restructuring and Abandoned Pursuit Costs Charge	—	—	11,941
Total Expenses	281,676	261,897	260,963
Income from Operations Before Equity in Income of Joint Ventures, Disposition of Interest Rate Protection Agreements and Income Allocated to Minority Interest	104,392	112,258	88,739
Equity in Income of Joint Ventures	571	302	45
Disposition of Interest Rate Protection Agreements	—	—	(8,475)
Income Allocated to Minority Interest	(16,395)	(17,609)	(7,961)
Income from Operations	88,568	94,951	72,348
Gain on Sale of Real Estate	29,296	29,797	5,349
Income Before Cumulative Effect of Change in Accounting Principle	117,864	124,748	77,697
Cumulative Effect of Change in Accounting Principle	—	—	(1,976)
Net Income	117,864	124,748	75,721
Less: Preferred Stock Dividends	(32,844)	(32,844)	(30,610)
Net Income Available to Common Stockholders	\$ 85,020	\$ 91,904	\$ 45,111
Net Income Available to Common Stockholders Before Cumulative Effect of Change in Accounting Principle Per Weighted Average Common Share Outstanding:			
Basic	\$ 2.20	\$ 2.42	\$ 1.26
Diluted	\$ 2.18	\$ 2.41	\$ 1.25
Net Income Available to Common Stockholders Per Weighted Average Common Share Outstanding:			
Basic	\$ 2.20	\$ 2.42	\$ 1.20
Diluted	\$ 2.18	\$ 2.41	\$ 1.20

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

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands, except for per share data)

	Total	Preferred Stock	Common Stock	Additional Paid-In Capital	Distributions In Excess of Accumulated Earnings	Unearned Value of Restricted Stock Grants	Amortization of Stock Based Compensation	Treasury Shares
BALANCE AT DECEMBER 31, 1997	\$ 854,590	\$ 17	\$ 364	\$ 934,622	\$ (76,996)	\$ (3,417)	\$ —	\$ —
Net Proceeds from Issuance of Preferred Stock	192,700	1	—	192,699	—	—	—	—
Net Proceeds from Issuance of Common Stock	37,095	—	12	37,083	—	—	—	—
Issuance of Restricted Stock	—	—	1	2,344	—	(2,345)	—	—
Amortization of Restricted Stock Grants	2,450	—	—	—	—	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)	—	—	—	(30,610)	—	—	—
Distributions (\$2.19 per Share/Unit)	(96,868)	—	—	—	(96,868)	—	—	—
Net Income Before Minority Interest	83,682	—	—	—	83,682	—	—	—
Minority Interest:								
Allocation of Income	(7,961)	—	—	—	(7,961)	—	—	—
Distributions (\$2.19 per Unit)	14,548	—	—	—	14,548	—	—	—
Conversion of Units to Common Stock	5,150	—	2	5,148	—	—	—	—
BALANCE AT DECEMBER 31, 1998	1,054,776	18	379	1,171,896	(114,205)	(3,312)	—	—
Net Proceeds from Issuance of Common Stock	845	—	—	845	—	—	—	—
Issuance of Restricted Stock	—	—	1	2,007	—	(2,008)	—	—
Amortization of Restricted Stock Grants	1,233	—	—	—	—	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)	—	—	—	(32,844)	—	—	—
Distributions (\$2.42 per Share/Unit)	(109,608)	—	—	—	(109,608)	—	—	—
Net Income Before Minority Interest	142,357	—	—	—	142,357	—	—	—
Minority Interest:								
Allocation of Income	(17,609)	—	—	—	(17,609)	—	—	—
Distributions (\$2.42 per Unit)	17,458	—	—	—	17,458	—	—	—
Conversion of Units to Common Stock	2,618	—	2	2,616	—	—	—	—
BALANCE AT DECEMBER 31, 1999	1,059,226	18	382	1,177,364	(114,451)	(4,087)	—	—
Net Proceeds from the Issuance of Common Stock	12,769	—	5	12,764	—	—	—	—
Issuance of Restricted Stock	—	—	3	9,686	—	(9,689)	—	—
Amortization of Restricted Stock Grants	4,964	—	—	—	—	4,964	—	—
Purchase of Treasury Shares	(11,699)	—	—	—	—	—	—	(11,699)
Repurchase and Retirement of Restricted Stock	(466)	—	—	(466)	—	—	—	—
Amortization of Stock Based Compensation	383	—	—	—	—	—	383	—
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)	—	—	—	(32,844)	—	—	—
Distributions (\$2.5175 per Share/Unit)	(115,749)	—	—	—	(115,749)	—	—	—
Net Income Before Minority Interest	134,259	—	—	—	134,259	—	—	—
Minority Interest:								
Allocation of Income	(16,395)	—	—	—	(16,395)	—	—	—
Distributions (\$2.5175 per Unit)	18,218	—	—	—	18,218	—	—	—
Conversion of Units to Common Stock	5,706	—	2	5,704	—	—	—	—
BALANCE AT DECEMBER 31, 2000	\$ 1,058,372	\$ 18	\$ 392	\$ 1,205,052	\$ (126,962)	\$ (8,812)	\$ 383	\$ (11,699)

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

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended 12/31/00	Year Ended 12/31/99	Year Ended 12/31/98
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ 117,864	\$ 124,748	\$ 75,721
Income Allocated to Minority Interest	16,395	17,609	7,961
Income Before Minority Interest	134,259	142,357	83,682
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	59,840	62,208	57,565
Amortization of Deferred Financing Costs	1,750	1,362	917
Other Amortization	10,703	6,272	8,074
Valuation Provision on Real Estate Held for Sale	2,900	—	—
Provision for Bad Debt	50	—	550
Equity in Income of Joint Ventures	(571)	(302)	(45)
Distributions from Joint Ventures	571	302	—
Gain on Sale of Real Estate	(29,296)	(29,797)	(5,349)
Cumulative Effect of Change in Accounting Principle	—	—	1,976
Increase in Tenant Accounts Receivable, and Prepaid Expenses and Other Assets, Net	(23,708)	(7,959)	(26,595)
Increase in Deferred Rent Receivable	(1,474)	(4,062)	(4,657)
Increase in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	4,811	5,001	29,867
Increase in Organization Costs	—	—	(396)
Decrease in Restricted Cash	406	1,515	3,507
Net Cash Provided by Operating Activities	160,241	176,897	149,096
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of and Additions to Investment in Real Estate	(494,084)	(233,434)	(623,955)
Net Proceeds from Sales of Investment in Real Estate	407,849	217,853	98,832
Contributions to and Investments in Joint Venture	(37)	(2,522)	(4,413)
Distributions from Joint Ventures	287	572	—
Funding of Mortgage Loans Receivable	—	(739)	—
Repayment of Mortgage Loans Receivable	20,954	1,132	1,394
(Increase) Decrease in Restricted Cash	(22,269)	7,098	(7,412)
Net Cash Used in Investing Activities	(87,300)	(10,040)	(535,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Sale of Common Stock	—	—	36,300
Common Stock Underwriting Discounts/Offering Costs	—	(200)	(3,159)
Net Proceeds from Exercise of Employee Stock Options	12,478	732	2,544
Proceeds from Sale of Preferred Stock	—	—	200,000
Preferred Stock Underwriting Discounts/Offering Costs	—	—	(7,300)
Purchase of Treasury Shares	(11,699)	—	—
Repurchase of Restricted Stock	(466)	—	—
Purchase of U.S. Government Securities	(1,244)	—	—
Decrease (Increase) in Restricted Cash-Defeasance	—	—	306,000
Proceeds from Senior Unsecured Debt	—	—	299,517
Other Proceeds from Senior Unsecured Debt	—	—	2,760
Other Costs of Senior Unsecured Debt	—	—	(11,890)
Dividends/Distributions	(113,632)	(108,527)	(91,796)
Preferred Stock Dividends	(24,633)	(32,844)	(30,610)
Repayments on Mortgage Loans Payable	(2,300)	(3,459)	(301,947)
Proceeds from Acquisition Facilities Payable	290,200	156,600	531,000
Repayments on Acquisition Facilities Payable	(214,200)	(197,400)	(525,600)
Cost of Debt Issuance	(2,323)	(973)	(10,760)
Net Cash Provided by (Used in) Financing Activities	(67,819)	(186,071)	395,059
Net Increase (Decrease) in Cash and Cash Equivalents	5,122	(19,214)	8,601
Cash and Cash Equivalents, Beginning of Period	2,609	21,823	13,222
Cash and Cash Equivalents, End of Period	\$ 7,731	\$ 2,609	\$ 21,823

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

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 and the Operating Partnership is the sole limited partner. The Operating Partnership is also the sole member of limited liability companies and the majority economic stockholder of 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, 2000, the Company owned 969 in-service properties located in 25 states, containing an aggregate of approximately 68.2 million square feet (unaudited) of gross leasable area ("GLA"). Of the 969 properties owned by the Company, 805 are held by the Operating Partnership, 22 are held by the Financing Partnership, 22 are held by the Securities Partnership, 22 are held by the Mortgage Partnership, 24 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., 60 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 84.3% ownership interest at December 31, 2000. Minority interest at December 31, 2000, represents the approximate 15.7% aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

The consolidated financial statements of the Company at December 31, 2000 and 1999 and for each of the three years ended December 31, 2000 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.

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, 2000 and 1999, and the reported amounts of revenues and expenses for the years ended December 31, 2000, 1999 and 1998. 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:

	<i>Years</i>
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 \$4,358 and \$2,608 at December 31, 2000 and 1999, respectively. Unamortized deferred financing fees are written-off when debt is retired before the maturity date.

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 (hereinafter defined) and the September 1999 Joint Venture (hereinafter defined) 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.

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 \$2,050, and \$2,000 as of December 31, 2000 and December 31, 1999, respectively.

Gain on Sale of Real Estate

Gain on sale of real estate is recognized using the full accrual method. Gains relating to transactions which do not meet the full accrual method of accounting are deferred and recognized when the full accrual accounting 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% (90% beginning with January 1, 2001) 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.

Notes To Consolidated Financial Statements

(Dollars in thousands, except for per share data)

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, 2000, totaling \$97,531, are characterized 91.1% (\$2.29 per share) as ordinary income and 8.9% (\$.22 per share) as return of capital. 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.

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 12 for further disclosures.

Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, tenant accounts receivable, net, 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 values of the short-term investments, tenant accounts receivable, net, mortgage notes receivable, accounts payable and other accrued expenses was not materially different from their carrying or contract values due to the short term nature of these financial instruments. See Note 5 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

Historically, the Company has used interest rate protection agreements (the "Agreements") to fix the interest rate on anticipated offerings of senior unsecured debt, limit the interest rate on existing debt or convert floating rate debt to fixed rate debt. Receipts or payments that result from the settlement of Agreements used to fix the interest rate on anticipated offerings of senior unsecured debt are amortized over the life of the senior unsecured debt. Receipts or payments resulting from the Agreements that were used to limit the interest rate on existing debt are recognized as a component of interest expense. The cost basis of this type of instrument is amortized over the life of the instrument and is recognized in net income as well. Receipts or payments resulting from Agreements used to convert floating rate debt to fixed rate debt are recognized as a component of interest expense. Any Agreements which no longer qualify for hedge accounting are marked to market and any gain or loss is recognized in net income immediately. The credit risks associated with the Agreements are controlled through the evaluation and monitoring of the creditworthiness of the counterparty. In the event that the counterparty fails to meet the terms of the Agreements, the Company's exposure is limited to the current value of the interest rate differential, not the notional amount, and the Company's carrying value of the Agreements on the balance sheet.

Segment Reporting

Management views the Company as a single segment.

Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") on June 1, 1998. Statement of Financial Accounting Standards No. 138 "Accounting for Derivative Instruments and Hedging Activities - An Amendment of FAS Statement 133" was issued in June 2000. FAS 133, as amended, is effective for fiscal years beginning after June 15, 2000 as provided by Statement of Financial Accounting Standards No. 137 issued in July 1999. FAS 133, as amended, requires fair value accounting for all derivatives including recognizing all such instruments on the balance sheet with an offsetting amount recorded in the income statement or as part of comprehensive income. FAS 133, as amended, becomes effective for the Company for the year ending December 31, 2001. FAS 133 did not have an impact on the Company's consolidated financial position, consolidated results of operations or consolidated cash flows.

In March 2000, the FASB issued Statement of Accounting Standards Interpretation 44, Accounting for Certain Transactions Involving Stock Compensation ("Interpretation 44"). Interpretation 44 is generally effective for new stock option grants beginning July 1, 2000. However, the interpretive definition of an employee and certain effective repricing provisions apply to new awards granted after December 15, 1998. Further, the FASB determined that any modifications to current accounting as a result of this guidance are to be recorded prospectively, effective as of July 1, 2000. The Company has applied the accounting mandated by Interpretation 44 as of July 1, 2000 and there has not been a material impact on the Company's consolidated financial position, consolidated results of operations or consolidated cash flows.

The REIT Modernization Act, which was passed in 1999 and took effect on January 1, 2001, modifies certain provisions of the Internal Revenue Code of 1986, as amended, with respect to the taxation of REITs. Two key provisions of this tax law change will impact future Company operations: the availability of a taxable REIT subsidiary which may be wholly-owned directly by a REIT and a reduction in the required level of distributions by a REIT to 90% of ordinary taxable income. The Company converted its preferred stock subsidiary to a wholly-owned taxable REIT subsidiary in January 2001.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), Revenue Recognition, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB 101 was required to be implemented in the fourth fiscal quarter of 2000. The adoption of SAB 101 did not have an effect on the Company's results of operations or its financial position as the Company's revenue recognition practices were compliant with the pronouncement.

4. INVESTMENTS 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 has not exercised this option. The Company received approximately

\$2,199 and \$2,315 (net of the intercompany elimination) in acquisition, asset management and property management fees in 2000 and 1999, respectively, from the September 1998 Joint Venture. For the year ended December 31, 2000, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, invested approximately \$4 and received distributions of approximately \$796 from the September 1998 Joint Venture. For the year 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. The Company accounts for the September 1998 Joint Venture under the equity method of accounting. As of December 31, 2000 the September 1998 Joint Venture owned 138 industrial properties comprising approximately 7.1 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 another 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 by the September 1999 Joint Venture at a price to be determined in the future. The Company received approximately \$557 and \$993 (net of the intercompany elimination) in acquisition, asset management and property management fees in 2000 and 1999, respectively, from the September 1999 Joint Venture. For the year ended December 31, 2000, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, also invested approximately \$33 and received distributions of approximately \$62 in the September 1999 Joint Venture. For the year ended December 31, 1999, the Company, through a wholly-owned limited liability company in which the Operating Partnership is the sole member, 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, 2000 the September 1999 Joint Venture owned 39 industrial properties comprising approximately 1.2 million square feet (unaudited) of GLA.

5. MORTGAGE LOANS PAYABLE, NET, SENIOR UNSECURED DEBT, NET AND ACQUISITION FACILITIES PAYABLE

Mortgage Loans Payable, Net

On June 30, 1994, the Company, through the Financing Partnership, entered into a \$300,000 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"). 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.

On December 29, 1995 the Mortgage Partnership borrowed \$40,200 under a mortgage loan (the "1995 Mortgage Loan"). In June 2000, the Mortgage Partnership purchased approximately \$1.2 million of U.S. Government securities as substitute collateral to execute a legal defeasance of approximately \$1.2 million of the 1995 Mortgage Loan. The terms of the legal defeasance require the Mortgage Partnership to use the gross proceeds from the maturities of the U.S. Government securities to paydown and subsequently retire the defeased portion of the 1995 Mortgage Loan in January 2003. The remaining portion of the 1995 Mortgage Loan matures on January 11, 2026. Upon the execution of the legal defeasance, one of the 23 properties collateralizing the 1995 Mortgage Loan was released and subsequently sold. The 1995 Mortgage Loan provides for monthly principal and interest payments 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 22 properties held by the Mortgage Partnership. The 1995 Mortgage Loan may be prepaid on or after January 2003.

Under the terms of the 1995 Mortgage Loan, certain cash reserves are required to be and have been set aside for tenants 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, 2000 and 1999, these reserves totaled \$1,186 and \$1,425, respectively, and are included in Restricted Cash. Such cash reserves were invested in a money market fund at December 31, 2000. The maturity of these investments is one day; accordingly, cost approximates fair value.

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.

On January 31, 1997, the Company, through the Operating Partnership, assumed a mortgage loan in the amount of \$705 (the "LB Mortgage Loan II"). 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.

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.

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.

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 TK-SV, LTD., 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.

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 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.

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(Dollars in thousands, except for per share data)

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

On December 8, 1997, the Company, through the Operating Partnership, issued \$100,000 of unsecured debt which matures on December 1, 2017 and bears a coupon interest rate of 7.50% (the "2017 Notes"). The issue price of the 2017 Notes was 99.808%. Interest is paid semi-annually in arrears on June 1 and December 1. The Operating Partnership 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. The 2017 Notes contain certain covenants including limitation on incurrence of debt and debt service coverage.

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 the 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.

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Acquisition Facilities

In December 1997, the Company terminated its \$200,000 unsecured revolving credit facility and entered into a \$300,000 unsecured revolving credit facility (the "1997 Unsecured Acquisition Facility") which bore interest at LIBOR plus .80% or a "Corporate Base Rate" at the Company's election, and provided for interest only payments until maturity. In June 2000, the Company amended the 1997 Unsecured Acquisition Facility which extended the maturity date to June 30, 2003 and

includes the right, subject to certain conditions, to increase the aggregate commitment up to \$400,000 (the "2000 Unsecured Acquisition Facility"). The Company may borrow under the 2000 Unsecured Acquisition Facility to finance the acquisition and development of additional properties and for other corporate purposes, including to obtain additional working capital. The 2000 Unsecured Acquisition Facility contains certain financial covenants relating to debt service coverage, market value net worth, dividend payout ratio and total funded indebtedness.

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

MORTGAGE LOANS PAYABLE, NET	Outstanding Balance at		Accrued Interest Payable at		Interest Rate at	
	12/31/00	12/31/99	12/31/00	12/31/99	12/31/00	Maturity Date
1995 Mortgage Loan	\$ 38,604 ⁽¹⁾	\$ 39,099	\$ 163	\$ 165	7.220%	1/11/26 ⁽¹⁾
CIGNA Loan	33,952	34,636	212	216	7.500%	4/01/03
Assumed Loans	7,995	8,343	—	—	9.250%	1/01/13
LB Mortgage Loan II	705	705	5	—	8.000%	(2)
Acquisition Mortgage Loan I	3,294	3,591	—	—	8.500%	8/01/08
Acquisition Mortgage Loan II	7,432	7,630	—	—	7.750%	4/01/06
Acquisition Mortgage Loan III	3,214	3,350	—	—	8.875%	6/01/03
Acquisition Mortgage Loan IV	2,364	2,423	17	—	8.950%	10/01/06
Acquisition Mortgage Loan V	2,729 ⁽³⁾	2,793 ⁽³⁾	—	—	9.010%	9/01/06
Acquisition Mortgage Loan VI	957 ⁽³⁾	991 ⁽³⁾	—	—	8.875%	11/01/06
Acquisition Mortgage Loan VII	1,329 ⁽³⁾	1,390 ⁽³⁾	—	—	9.750%	3/15/02
Total	\$ 102,575	\$ 104,951	\$ 397	\$ 381		

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	149,966 ⁽⁴⁾	149,961 ⁽⁴⁾	1,457	1,457	7.600%	5/15/07
2011 Notes	99,517 ⁽⁴⁾	99,470 ⁽⁴⁾	942	942	7.375%	5/15/11 ⁽⁵⁾
2017 Notes	99,838 ⁽⁴⁾	99,828 ⁽⁴⁾	625	625	7.500%	12/01/17
2027 Notes	99,872 ⁽⁴⁾	99,867 ⁽⁴⁾	914	914	7.150%	5/15/27 ⁽⁶⁾
2028 Notes	199,783 ⁽⁴⁾	199,776 ⁽⁴⁾	7,009	7,009	7.600%	7/15/28
2011 Drs.	99,805 ⁽⁴⁾	99,786 ⁽⁴⁾	1,553	1,553	6.500% ⁽⁸⁾	4/05/11 ⁽⁷⁾
Total	\$ 948,781	\$ 948,688	\$ 13,758	\$ 13,758		

ACQUISITION FACILITY PAYABLE						
1997 Unsecured Acquisition Facility	\$ —	\$ 94,000	\$ —	\$ 663	(9)	(9)
2000 Unsecured Acquisition Facility	\$ 170,000	\$ —	\$ 1,359	\$ —	7.26%	6/30/03

(1) Approximately \$1.2 million of this loan has been defeased and will be paid in full in January 2003.

(2) 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.

(3) At December 31, 2000, the Acquisition Mortgage Loan V, the Acquisition Mortgage Loan VI and the Acquisition Mortgage Loan VII are net of unamortized premiums of \$219, \$49 and \$35, respectively. 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.

(4) At December 31, 2000, the 2007 Notes, 2011 Notes, 2017 Notes, 2027 Notes, 2028 Notes and the 2011 Drs. are net of unamortized discounts of \$33, \$483, \$162, \$128, \$217 and \$195, respectively. 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.

(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.

(9) The 1997 Unsecured Acquisition Facility was amended and restated in June 2000.

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(Dollars in thousands, except for per share data)

Fair Value

At December 31, 2000 and 1999, the fair value of the Company's mortgage loans payable, senior unsecured debt, acquisition facility payable and Put and Call Option were as follows:

	12/31/00		12/31/99	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage Loans Payable	\$ 102,575	\$ 104,088	\$ 104,951	\$ 101,445
Senior Unsecured Debt	948,781	918,865	948,688	859,455
Acquisition Facility Payable	170,000	170,000	94,000	94,000
Put Option and Call Option	1,089	12,150	2,263	3,950
Total	\$ 1,222,445	\$ 1,205,103	\$ 1,149,902	\$ 1,058,850

The fair value of the Company's mortgage loans payable and Put and Call Option were determined by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of the acquisition facility payable was not materially different than its carrying value due to the variable interest rate nature of the loan. The fair value of the senior unsecured debt was determined by quoted market prices.

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

	Amount
2001	\$ 2,514
2002	3,935
2003	208,334
2004	1,998
2005	52,177
Thereafter	952,609
Total	\$ 1,221,567

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.

6. 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 (See Note 17). 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 8½%, \$.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.

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 or after February 4, 2003, the Series D Preferred Stock is redeemable for cash at the option of the Company, in whole or in part, at a redemption price equivalent to \$25 per Depositary Share, or \$125,000 in the aggregate, plus dividends accrued and unpaid to the redemption date. The Series D Preferred Stock has no stated maturity and is not convertible into any other securities of the Company.

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

Notes To Consolidated Financial Statements

(Dollars in thousands, except for per share data)

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

	Stated Value at		Initial Dividend Rate	Optional Redemption Date
	12/31/00	12/31/99		
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		

Common Stock

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.

For the year ended December 31, 1998 certain employees of the Company exercised 108,500 non-qualified employee stock options. Gross proceeds to the Company were approximately \$2,544.

For the year ended December 31, 1999 certain employees of the Company exercised 33,000 non-qualified employee stock options. Gross proceeds to the Company were approximately \$732.

For the year ended December 31, 2000 certain employees of the Company exercised 518,550 non-qualified employee stock options. Gross proceeds to the Company were approximately \$12,478.

Treasury Stock

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 may make purchases from time to time, if price levels warrant, in the open market or in privately negotiated transactions. During the year ended December 31, 2000, the Company repurchased 394,300 shares of its common stock at a weighted average price per share of approximately \$29.67.

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:

	Record Date	Payable Date	Dividend/ Distribution per Share/Unit	Total Dividend/ Distribution
COMMON STOCK/OPERATING PARTNERSHIP UNITS				
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
First Quarter 2000	March 31, 2000	April 19, 2000	\$.62000	\$ 28,462
Second Quarter 2000	June 30, 2000	July 19, 2000	\$.62000	\$ 28,601
Third Quarter 2000	September 30, 2000	October 18, 2000	\$.62000	\$ 28,409
Fourth Quarter 2000	December 31, 2000	January 22, 2001	\$.65750	\$ 30,275
SERIES A PREFERRED STOCK				
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
First Quarter 2000	March 15, 2000	March 31, 2000	\$.59375	\$ 980
Second Quarter 2000	June 15, 2000	June 30, 2000	\$.59375	\$ 980
Third Quarter 2000	September 15, 2000	September 30, 2000	\$.59375	\$ 980
Fourth Quarter 2000	December 15, 2000	December 31, 2000	\$.59375	\$ 980
SERIES B PREFERRED STOCK				
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
First Quarter 2000	March 15, 2000	March 31, 2000	\$ 54.68750	\$ 2,188
Second Quarter 2000	June 15, 2000	June 30, 2000	\$ 54.68750	\$ 2,188
Third Quarter 2000	September 15, 2000	September 30, 2000	\$ 54.68750	\$ 2,188
Fourth Quarter 2000	December 15, 2000	December 31, 2000	\$ 54.68750	\$ 2,188
SERIES C PREFERRED STOCK				
First Quarter 1999	March 15, 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
First Quarter 2000	March 15, 2000	March 31, 2000	\$ 53.90600	\$ 1,078
Second Quarter 2000	June 15, 2000	June 30, 2000	\$ 53.90600	\$ 1,078
Third Quarter 2000	September 15, 2000	September 30, 2000	\$ 53.90600	\$ 1,078
Fourth Quarter 2000	December 15, 2000	December 31, 2000	\$ 53.90600	\$ 1,078
SERIES D PREFERRED STOCK				
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
First Quarter 2000	March 15, 2000	March 31, 2000	\$ 49.68700	\$ 2,484
Second Quarter 2000	June 15, 2000	June 30, 2000	\$ 49.68700	\$ 2,484
Third Quarter 2000	September 15, 2000	September 30, 2000	\$ 49.68700	\$ 2,484
Fourth Quarter 2000	December 15, 2000	December 31, 2000	\$ 49.68700	\$ 2,484
SERIES E PREFERRED STOCK				
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
First Quarter 2000	March 15, 2000	March 31, 2000	\$ 49.37500	\$ 1,480
Second Quarter 2000	June 15, 2000	June 30, 2000	\$ 49.37500	\$ 1,480
Third Quarter 2000	September 15, 2000	September 30, 2000	\$ 49.37500	\$ 1,480
Fourth Quarter 2000	December 15, 2000	December 31, 2000	\$ 49.37500	\$ 1,480

Notes To Consolidated Financial Statements

(Dollars in thousands, except for per share data)

7. ACQUISITION AND DEVELOPMENT OF REAL ESTATE

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 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 2000, the Company acquired 83 in-service industrial properties and one industrial property under redevelopment comprising, in the aggregate, approximately 5.8 million square feet (unaudited) of GLA and several land parcels for a total purchase price of approximately \$323,529 and completed the development of 26 properties and two redevelopments comprising approximately 4.1 million square feet (unaudited) of GLA at a cost of approximately \$147,954.

8. SALES OF REAL ESTATE AND REAL ESTATE HELD FOR SALE

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 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 2000, the Company sold 109 industrial properties and several land parcels. The aggregate gross sales price of these sales totaled approximately \$433,713. The gain on sales totaled approximately \$29,296.

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, 2000, the Company had 85 industrial properties comprising approximately 8.0 million square feet (unaudited) of GLA held for sale. There can be no assurance that such properties held for sale will be sold.

The following table discloses certain information regarding the 85 industrial properties held for sale by the Company.

	Year Ended		
	2000	1999	1998
Total Revenues	\$ 35,406	\$ 33,712	\$ 31,213
Operating Expenses	(9,407)	(8,944)	(7,902)
Depreciation and Amortization	(3,615)	(6,314)	(5,754)
Income from Operations	\$ 22,384	\$ 18,454	\$ 17,557

In 2000, the Company recognized a valuation provision on real estate held for sale of \$2,900 relating to the Company's exit market portfolio of properties in Grand Rapids, Michigan. The fair value was determined by a quoted market price less transaction costs.

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.

10. RESTRUCTURING AND ABANDONED PURSUIT COSTS CHARGE

In connection with management's plan to improve operating efficiencies and reduce costs, the Company recognized a restructuring and abandoned pursuit costs charge of approximately \$11,941 in 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. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

Supplemental disclosure of cash flow information:

	Year Ended 12/31/00	Year Ended 12/31/99	Year Ended 12/31/98
Interest Paid, Net of Capitalized Interest	\$ 83,213	\$ 79,866	\$ 64,294
Interest Capitalized	\$ 5,203	\$ 5,568	\$ 3,643
Supplemental Schedule of Noncash Investing and Financing Activities:			
Distribution Payable on Common Stocks/Units	\$ 30,281	\$ 28,164	\$ 27,081
Distribution Payable on Preferred Stock	\$ 8,211	\$ —	\$ —
Exchange of Units for Common Shares:			
Minority Interest	\$ (5,706)	\$ (2,618)	\$ (5,150)
Common Stock	2	2	2
Additional Paid-in Capital	5,704	2,616	5,148
	\$ —	\$ —	\$ —
In conjunction with the property and land acquisitions, the following assets and liabilities were assumed:			
Purchase of Real Estate	\$323,529	\$ 75,226	\$ 537,837
Mortgage Loans	—	—	(8,771)
Operating Partnership Units	(3,474)	(4,274)	(49,413)
Accounts Payable and Accrued Expenses	(3,869)	(342)	(5,001)
Acquisition of Real Estate	\$316,186	\$ 70,610	\$ 474,652
In conjunction with certain property sales, the Company provided seller financing on behalf of certain buyers:			
Notes Receivable	\$ 7,749	\$ 17,620	\$ —

Notes To Consolidated Financial Statements

(Dollars in thousands, except for per share data)

12. EARNINGS PER SHARE

The computation of basic and diluted EPS is presented below.

	Year Ended 12/31/00	Year Ended 12/31/99	Year Ended 12/31/98
NUMERATOR			
Income Before Cumulative Effect of Change in Accounting Principle	\$ 117,864	\$ 124,748	\$ 77,697
Less: Preferred Stock Dividends	(32,844)	(32,844)	(30,610)
Net Income Available to Common Stockholders Before Cumulative Effect of Change in Accounting Principle – For Basic and Diluted EPS	85,020	91,904	47,087
Cumulative Effect of Change in Accounting Principle	—	—	(1,976)
Net Income Available to Common Stockholders – For Basic and Diluted EPS	\$ 85,020	\$ 91,904	\$ 45,111
DENOMINATOR			
Weighted Average Common Shares – Basic	38,660,516	38,042,214	37,444,961
Effect of Dilutive Securities: Employee and Director Common Stock Options	256,069	101,801	182,515
Weighted Average Common Shares – Diluted	38,916,585	38,144,015	37,627,476
BASIC EPS			
Net Income Available to Common Stockholders Before Cumulative Effect of Change in Accounting Principle	\$ 2.20	\$ 2.42	\$ 1.26
Cumulative Effect of Change in Accounting Principle	\$ —	\$ —	\$ (.05)
Net Income Available to Common Stockholders	\$ 2.20	\$ 2.42	\$ 1.20
DILUTED EPS			
Net Income Available to Common Stockholders Before Cumulative Effect of Change in Accounting Principle	\$ 2.18	\$ 2.41	\$ 1.25
Cumulative Effect of Change in Accounting Principle	\$ —	\$ —	\$ (.05)
Net Income Available to Common Stockholders	\$ 2.18	\$ 2.41	\$ 1.20

13. 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, 2000 are approximately as follows:

	<i>Future Rental Revenues</i>
2001	\$ 271,452
2002	224,814
2003	172,922
2004	128,500
2005	85,939
Thereafter	235,135
Total	\$1,118,762

14. 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 the stock options is determined by the Compensation Committee. 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, 2000, stock options covering 3.0 million shares were outstanding and stock options covering 3.5 million shares were available under the Stock Incentive Plans. The outstanding stock options generally vest over one to three 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, 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 – \$31.125
Granted	937,250	\$27.34	\$27.125 – \$30.00
Exercised or Converted	(605,550)	\$24.58	\$18.25 – \$31.125
Expired or Terminated	(84,500)	\$28.63	\$25.125 – \$31.125
Outstanding at December 31, 2000	3,023,467	\$27.61	\$18.25 – \$31.125

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(Dollars in thousands, except for per share data)

The following table summarizes currently outstanding and exercisable options as of December 31, 2000:

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	911,900	6.7	\$23.99	911,900	\$23.99
\$26.44–\$31.13	2,111,567	8.2	\$29.17	1,195,417	\$30.48

The Company applies Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”), in accounting for its Stock Incentive Plans. Under APB 25, compensation expense is not recognized for options issued in which the strike price is equal to the fair value of the Company’s stock on the date of grant. Certain options issued in 2000 were issued with a strike price less than the fair value of the Company’s stock on the date of grant. Compensation expense is being recognized for the intrinsic value of these options determined at the date of grant over the vesting period.

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		
	2000	1999	1998
Net Income Available to Common Stockholders – as reported	\$ 85,020	\$ 91,904	\$ 45,111
Net Income Available to Common Stockholders – pro forma	\$ 84,075	\$ 90,036	\$ 43,324
Net Income Available to Common Stockholders per Share – as reported – Basic	\$ 2.20	\$ 2.42	\$ 1.20
Net Income Available to Common Stockholders per Share – pro forma – Basic	\$ 2.17	\$ 2.37	\$ 1.16
Net Income Available to Common Stockholders per Share – as reported – Diluted	\$ 2.18	\$ 2.41	\$ 1.20
Net Income Available to Common Stockholders per Share – pro forma – Diluted	\$ 2.16	\$ 2.36	\$ 1.15

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	8.33%	8.88%	8.01%
Expected stock price volatility	20.30%	20.55%	20.56%
Risk-free interest rate	6.18%	5.30%	5.64%
Expected life of options	3.05	2.73	3.74

The weighted average fair value of options granted during 2000, 1999 and 1998 is \$2.91, \$1.79 and \$2.95 per option, respectively.

In September 1994, the Board of Directors approved and the Company adopted a 401(k)/Profit Sharing Plan. Under the Company's 401(k)/Profit Sharing Plan, all eligible employees may participate by making voluntary contributions. The Company may make, but is not required to make, matching contributions. For the years ended December 31, 2000, 1999 and 1998, the Company made matching contributions of approximately \$211, \$208 and \$198, respectively. In March 1996, the Board of Directors approved and the Company adopted a Deferred Income Plan (the "Plan"). At December 31, 2000, 765,159 units were outstanding. The expense related to these deferred income benefits is included in general and administrative and property management expense in the consolidated statements of operations.

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 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 2000, the Company awarded 355,139 shares of restricted Common Stock to certain employees and 3,663 shares of restricted Common Stock to certain Directors. Other employees of the Company converted certain in-the-money employee stock options to 14,903 shares of restricted Common Stock. These restricted shares of Common Stock had a fair value of \$9,689 on the date of grant. The restricted Common Stock vests over a period from three to ten years. Compensation expense will be charged to earnings over the vesting period.

15. RELATED PARTY TRANSACTIONS

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 a 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.

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.

The Company periodically engages in transactions for which CB Richard Ellis, Inc. acts as a broker. A relative of one of the Company's officers/Directors is an employee of CB Richard Ellis, Inc. For the years ended December 31, 2000, 1999 and 1998, this relative received brokerage commissions in the amount of \$60, \$18 and \$130, respectively, from the Company.

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(Dollars in thousands, except for per share data)

The Company periodically utilizes consulting services from the private consulting firm of one of the Company's Directors. For the years ended December 31, 2000, 1999 and 1998 the Company has paid approximately \$5, \$15 and \$36 of fees, respectively, to this entity.

In January and February 2001, FR Development Services, Inc. ("FRDS") purchased all of the voting and non-voting shares (a total of 25,790 shares) of FRDS held by certain executive officers of the Company for approximately \$1.3 million, in connection with FRDS' election to become a wholly owned taxable REIT subsidiary of the Company. At the time of the transaction, these executive officers had equity interests in FRDS totaling 2.76%.

16. 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-one 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 21 industrial properties totaling approximately 4.0 million square feet (unaudited) of GLA. The estimated total construction costs are approximately \$177.7 million (unaudited). These developments are expected to be funded with net proceeds from the sales of properties, borrowings under the 2000 Unsecured Acquisition Facility and cash flow from operations.

At December 31, 2000, the Company had four letters of credit outstanding in the aggregate amount of \$1.8 million. These letters of credit expire between August 2001 and March 2003.

17. SUBSEQUENT EVENTS (UNAUDITED)

During the period January 1, 2001 through March 2, 2001, the Company acquired 21 industrial properties and several land parcels for a total estimated investment of approximately \$71,375. The Company also sold two industrial properties and one land parcel for approximately \$2,737 of gross proceeds.

On March 9, 2001, the Company declared a first quarter dividend of \$.6575 per share/unit on its common stock which is payable on April 23, 2001. 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 April 2, 2001.

On March 9, 2001, the Company called for the redemption of all of its outstanding Series A Preferred Stock at the price of \$25.00 per share, plus accrued and unpaid dividends. The redemption date will be April 9, 2001.

Notes To Consolidated Financial Statements

(Dollars in thousands, except for per share data)

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Year Ended December 31, 2000

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 95,148	\$ 94,266	\$ 96,551	\$ 100,103
Equity in Income of Joint Ventures	31	88	70	382
Income Allocated to Minority Interest	(3,799)	(4,310)	(4,041)	(4,245)
Income from Operations	22,465	20,567	24,623	20,913
Gain on Sale of Real Estate	5,874	10,057	6,280	7,085
Net Income	28,339	30,624	30,903	27,998
Preferred Stock Dividends	(8,211)	(8,211)	(8,211)	(8,211)
Net Income Available to Common Stockholders	\$ 20,128	\$ 22,413	\$ 22,692	\$ 19,787
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	\$.52	\$.58	\$.58	\$.51
Diluted	\$.52	\$.58	\$.58	\$.51

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 Sale of Real Estate	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
Net Income Available to Common Stockholders per Weighted Average Common Share Outstanding:				
Basic	\$.46	\$.58	\$.85	\$.52
Diluted	\$.46	\$.58	\$.85	\$.52

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."

Quarter Ended	High	Low	Distribution Declared
December 31, 2000	\$ 34 ¹⁵ / ₁₆	\$ 30 ¹ / ₄	\$ 0.6575
September 30, 2000	32	28 ⁷ / ₈	\$ 0.6200
June 30, 2000	31 ¹ / ₈	26 ¹⁵ / ₁₆	\$ 0.6200
March 31, 2000	28 ¹ / ₄	25 ¹³ / ₁₆	\$ 0.6200
December 31, 1999	28 ³ / 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 ¹ / ₈	23 ³ / ₈	\$ 0.6000

The Company had 538 common stockholders of record registered with its transfer agent as of March 2, 2001.

Corporate Management

Michael W. Brennan

President and Chief Executive Officer

Johannson Lee Yap

Chief Investment Officer

Michael J. Havala

*Chief Financial Officer,
Treasurer and Secretary*

David P. Draft

*Executive Vice President –
Operations*

Robert H. Muir

*Executive Vice President –
Development Services*

James Carpenter

Executive Director of Investments

Garry Weiss

*Senior Vice President
National Director –
Integrated Industrial Solutions™*

Tim Gallagher

*Senior Vice President –
Integrated Industrial Solutions™*

Tim Donohue

*Senior Vice President –
Integrated Industrial Solutions™*

Mark A. Saturno

*Senior Vice President –
Portfolio Management*

Chris Schneider

*Senior Vice President –
IT and Accounting*

Scott A. Musil

*Senior Vice President,
Controller and Assistant Secretary*

Joseph Bronson

*Vice President –
Corporate Communications*

John Clayton

*Vice President –
Corporate Legal*

Roger Daluga

*Vice President –
Finance/Program Director*

Directors

Jay H. Shidler^{§‡}

Chairman

First Industrial Realty Trust, Inc.

Managing Partner

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[†]

President

Jack Lesher and Associates

Senior Advisor

Resource Evaluation, Inc.

Director

The Sound Shore Fund

Mondial Ltd.

Kevin W. Lynch^{*}

Principal

The Townsend Group

John Rau^{*}

Chairman

*Chicago Title and Trust Company
Foundation*

Director

LaSalle Bank, N.A.

BorgWarner, Inc.

Nicor Inc.

Divine Interventions, Inc.

YOUcentric Inc.

Robert J. Slater^{§†}

President

Jackson Consulting, Inc.

Director

Southdown, Inc.

W. Ed Tyler[§]

*Former Chief Executive Officer
and Director*

Moore Corporation Limited

Director

American Red Cross (Mid-America)

J. Steven Wilson^{*}

Chairman, President and

Chief Executive Officer

Riverside Group, Inc.

Buildscape, Inc.

Chairman and Chief Executive Officer

Wickes Inc.

Company

Executive Office

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Chicago, IL 60606

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Stock Exchange Listing

New York Stock Exchange, Symbol: FR

Registrar & Transfer Agent

EquiServe – First Chicago Trust Division

P.O. Box 2589

Jersey City, New Jersey 07303

800/446-2617

Independent Accountants

Pricewaterhouse Coopers, LLP

Chicago, Illinois

General Counsel

Cabill Gordon & Reindel

New York, New York

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
Vice President – Corporate 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 16, 2001
at 9:00 a.m. CDT, Sears Tower, 233 South
Wacker Drive, 33rd Floor, Lincoln Room,
Chicago, Illinois 60606*

[§] Nominating Committee

[†] Compensation Committee

^{*} Audit Committee

[‡] Investment Committee

