FIRST INDUSTRIAL REALTY TRUST INC
Form 10-Q
November 09, 2009

Table of Contents

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

Form 10-Q

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the quarterly period ended September 30, 2009**
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission file number 1-13102

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

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

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

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

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

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

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

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

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

Number of shares of Common Stock, $.01 par value, outstanding as of November 9, 2009: 61,601,978.

FIRST INDUSTRIAL REALTY TRUST, INC.

Form 10-Q

For the Period Ended September 30, 2009

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2009	(As Adjusted) December 31, 2008
	(Unaudited) (In thousands except share and per share data)	
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$ 761,411	$ 776,991
Buildings and Improvements	2,533,433	2,551,450
Construction in Progress	28,355	57,156
Less: Accumulated Depreciation	(576,630)	(523,108)
Net Investment in Real Estate	2,746,569	2,862,489
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of $7,357 and $2,251 at September 30, 2009 and December 31, 2008, respectively	49,718	21,117
Cash and Cash Equivalents	19,072	3,182
Restricted Cash	102	109
Tenant Accounts Receivable, Net	3,137	10,414
Investments in Joint Ventures	10,556	16,299
Deferred Rent Receivable, Net	37,607	32,984
Deferred Financing Costs, Net	14,320	12,091
Deferred Leasing Intangibles, Net	71,814	90,342
Prepaid Expenses and Other Assets, Net	170,722	174,474
Total Assets	$ 3,123,617	$ 3,223,501
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage Loans Payable, Net	$ 270,353	$ 77,396
Senior Unsecured Debt, Net	1,251,025	1,511,955
Unsecured Line of Credit	469,588	443,284

Accounts Payable, Accrued Expenses and Other Liabilities, Net	89,952	128,828
Deferred Leasing Intangibles, Net	25,999	30,754
Rents Received in Advance and Security Deposits	26,028	26,181
Leasing Intangibles Held for Sale, Net of Accumulated Amortization of $241 and $254 at September 30, 2009 and December 31, 2008, respectively	1,000	541
Dividends Payable		13,846
Total Liabilities	2,133,945	2,232,785
Commitments and Contingencies		
Equity:		
First Industrial Realty Trust, Inc. s Stockholders Equity:		
Preferred Stock ($0.01 par value, 10,000,000 shares authorized, 500, 250, 600, and 200 shares of Series F, G, J, and K Cumulative Preferred Stock, respectively, issued and outstanding at September 30, 2009 and December 31, 2008 having a liquidation preference of $100,000 per share ($50,000), $100,000 per share ($25,000), $250,000 per share ($150,000), and $250,000 per share ($50,000), respectively)		
Common Stock ($0.01 par value, 100,000,000 shares authorized, 52,268,553 and 48,976,296 shares issued and 47,944,439 and 44,652,182 shares outstanding at September 30, 2009 and December 31, 2008, respectively)	523	490
Additional Paid-in-Capital	1,469,434	1,398,024
Distributions in Excess of Accumulated Earnings	(395,290)	(370,229)
Accumulated Other Comprehensive Loss	(19,311)	(19,668)
Treasury Shares at Cost (4,324,114 shares at September 30, 2009 and December 31, 2008)	(140,018)	(140,018)
Total First Industrial Realty Trust, Inc. s Stockholders Equity	915,338	868,599
Noncontrolling Interest	74,334	122,117
Total Equity	989,672	990,716
Total Liabilities and Equity	$ 3,123,617	$ 3,223,501

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2009	(As Adjusted) Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	(As Adjusted) Nine Months Ended September 30, 2008
		(Unaudited) (In thousands except per share data)		
Revenues:				
Rental Income	$ 66,747	$ 65,369	$ 201,954	$ 193,967
Tenant Recoveries and Other Income	22,397	25,730	69,235	78,964
Construction Revenues	15,954	45,202	52,703	101,600
Total Revenues	105,098	136,301	323,892	374,531
Expenses:				
Property Expenses	30,371	30,114	94,088	93,173
General and Administrative	8,391	18,088	30,141	64,342
Restructuring Costs	1,380		6,196	
Impairment of Real Estate	6,934		6,934	
Depreciation and Other Amortization	37,033	38,713	111,732	118,432
Construction Expenses	14,895	41,895	50,567	96,628
Total Expenses	99,004	128,810	299,658	372,575
Other Income/(Expense):				
Interest Income	731	1,054	2,013	2,816
Interest Expense	(29,119)	(27,039)	(86,608)	(84,301)
Amortization of Deferred Financing Costs	(758)	(707)	(2,220)	(2,132)
Gain from Early Retirement of Debt	18,179	1,260	22,165	2,749
Mark-to-Market (Loss) Gain on Interest Rate Protection Agreements	(555)		2,861	
Total Other Income/(Expense)	(11,522)	(25,432)	(61,789)	(80,868)
Loss from Continuing Operations Before Equity in (Loss) Income of Joint Ventures and Income Tax Benefit	(5,428)	(17,941)	(37,555)	(78,912)
Equity in (Loss) Income of Joint Ventures	(5,889)	725	(4,309)	7,295
Income Tax Benefit	6,114	2,074	10,975	7,276

Loss from Continuing Operations		(5,203)		(15,142)		(30,889)		(64,341)
Income from Discontinued Operations (Including Gain on Sale of Real Estate of $6,734 and $22,548 for the Three Months Ended September 30, 2009 and September 30, 2008, respectively, and $15,054 and $166,393 for the Nine Months Ended September 30, 2009 and September 30, 2008, respectively)		7,430		24,130		16,724		179,389
(Provision) Benefit for Income Taxes Allocable to Discontinued Operations (Including $(238) and $26 Allocable to Gain on Sale of Real Estate for the Three Months Ended September 30, 2009 and September 30, 2008, respectively, and $158 and $(2,748) for the Nine Months Ended September 30, 2009 and September 30, 2008, respectively)		(96)		(75)		30		(3,379)
Income (Loss) Before Gain on Sale of Real Estate		2,131		8,913		(14,135)		111,669
Gain on Sale of Real Estate		261				721		12,008
Benefit (Provision) for Income Taxes Allocable to Gain on Sale of Real Estate		380				(151)		(2,909)
Net Income (Loss)		2,772		8,913		(13,565)		120,768
Less: Net Loss (Income) Attributable to the Noncontrolling Interest		193		(454)		3,100		(13,293)
Net Income (Loss) Attributable to First Industrial Realty Trust, Inc.		2,965		8,459		(10,465)		107,475
Less: Preferred Stock Dividends		(4,913)		(4,857)		(14,594)		(14,571)
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders and Participating Securities	$	(1,948)	$	3,602	$	(25,059)	$	92,904
Basic and Diluted Earnings Per Share:								
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.19)	$	(0.40)	$	(0.89)	$	(1.42)
Income From Discontinued Operations Attributable to First Industrial Realty Trust, Inc. s Common Stockholders	$	0.14	$	0.49	$	0.33	$	3.52
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.04)	$	0.08	$	(0.56)	$	2.10
Weighted Average Shares Outstanding, Basic and Diluted		45,360		43,151		44,653		43,088
	$	0.00	$	0.72	$	0.00	$	2.16

Dividends/Distribution Declared per Common
Share Outstanding

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30, 2009	(As Adjusted) Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	(As Adjusted) Nine Months Ended September 30, 2008
	(Unaudited) (In thousands)			
Net Income (Loss)	$ 2,772	$ 8,913	$ (13,565)	$ 120,768
Mark-to-Market on Interest Rate Protection Agreements, Net of Income Tax (Provision) Benefit of $(149) and $52 for the Three Months Ended September 30, 2009 and September 30, 2008, respectively, and $(390) and $(32) for the Nine Months Ended September 30, 2009 and September 30, 2008, respectively	320	(1,878)	(716)	1,655
Amortization of Interest Rate Protection Agreements	479	(206)	311	(584)
Write-off of Unamortized Settlement of Interest Rate Protection Agreements	3	376	(60)	831
Foreign Currency Translation Adjustment, Net of Tax (Provision) Benefit of $(1,510) and $507 for the Three Months Ended September 30, 2009 and September 30, 2008, respectively, and $(2,436) and $922 for the Nine Months Ended September 30, 2009 and September 30, 2008, respectively	946	(570)	1,395	(958)
Comprehensive Income (Loss)	4,520	6,635	(12,635)	121,712
Comprehensive (Income) Loss Attributable to Noncontrolling Interest	(154)	(174)	2,527	(13,423)
Comprehensive Income (Loss) Attributable to First Industrial Realty Trust, Inc.	$ 4,366	$ 6,461	$ (10,108)	$ 108,289

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2009	(As Adjusted) Nine Months Ended September 30, 2008
	(Unaudited) (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Loss) Income	$ (13,565)	$ 120,768
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation	85,388	86,378
Amortization of Deferred Financing Costs	2,220	2,132
Other Amortization	40,765	48,806
Provision for Bad Debt	2,872	2,752
Mark-to-Market Gain on Interest Rate Protection Agreements	(2,861)	
Equity in Loss (Income) of Joint Ventures	4,309	(7,295)
Impairment of Real Estate	6,934	
Distributions from Joint Ventures	1,127	9,934
Gain on Sale of Real Estate	(15,775)	(178,401)
Gain from Early Retirement of Debt	(22,165)	(2,749)
Decrease in Developments for Sale Costs	812	1,860
Decrease (Increase) in Tenant Accounts Receivable, Prepaid Expenses and Other Assets, Net	12,851	(32,580)
Increase in Deferred Rent Receivable	(5,850)	(4,689)
(Decrease) Increase in Accounts Payable, Accrued Expenses, Other Liabilities, Rents Received in Advance and Security Deposits	(16,579)	12,578
Decrease in Restricted Cash	7	90
Cash Book Overdraft		934
Net Cash Provided by Operating Activities	80,490	60,518
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of and Additions to Investment in Real Estate	(62,375)	(494,912)
Net Proceeds from Sales of Investments in Real Estate	41,199	479,938
Contributions to and Investments in Joint Ventures	(3,170)	(14,703)
Distributions from Joint Ventures	6,942	7,934
Funding of Notes Receivable		(10,325)
Repayment of Mortgage Loans Receivable	2,933	62,271
Increase in Restricted Cash		(1,166)
Net Cash (Used in) Provided by Investing Activities	(14,471)	29,037

CASH FLOWS FROM FINANCING ACTIVITIES:		
Offering Costs	(144)	(185)
Net Proceeds from the Issuance of Common Stock	15,920	174
Repurchase of Restricted Stock	(726)	(3,787)
Dividends/Distributions	(12,614)	(108,922)
Preferred Stock Dividends	(15,826)	(15,803)
Proceeds from Origination of Mortgage Loans Payable	201,260	
Repayments on Mortgage Loans Payable	(7,766)	(2,387)
Debt Issuance Costs	(4,912)	(76)
Repurchase of Equity Component of Exchangeable Notes	(22)	
Settlement of Interest Rate Protection Agreements	(7,491)	
Repayments of Senior Unsecured Debt	(240,903)	(32,526)
Proceeds from Unsecured Line of Credit	46,000	476,920
Repayments on Unsecured Line of Credit	(23,000)	(402,000)
Net Cash Used in Financing Activities	(50,224)	(88,592)
Net Effect of Exchange Rate Changes on Cash and Cash Equivalents	95	138
Net Increase in Cash and Cash Equivalents	15,795	963
Cash and Cash Equivalents, Beginning of Period	3,182	5,757
Cash and Cash Equivalents, End of Period	$ 19,072	$ 6,858

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

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share data)
(Unaudited)

1. Organization and Formation of Company

First Industrial Realty Trust, Inc. (the Company) was organized in the state of Maryland on August 10, 1993. The Company is a real estate investment trust (REIT) as defined in the Internal Revenue Code of 1986 (the Code). Unless the context otherwise requires, the terms the Company, we, us, and our refer to First Industrial Realty Trust, Inc., F Industrial, L.P. and their other controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership. Effective September 1, 2009, our taxable REIT subsidiary, First Industrial Investment, Inc. (the old TRS) merged into First Industrial Investment II, LLC (FI LLC), which is wholly owned by the Operating Partnership. Immediately thereafter, certain assets and liabilities of FI LLC were contributed to a new subsidiary, FR Investment Properties, LLC (FRIP). FRIP is 1% owned by FI LLC and 99% owned by a new taxable REIT subsidiary, First Industrial Investment Properties, Inc. (the new TRS, which, collectively with the old TRS, will be referred to as the TRSs), which is wholly owned by FI LLC (see Note 11).

We began operations on July 1, 1994. Our operations are conducted primarily through the Operating Partnership, of which we are the sole general partner with an approximate 89.7% and 87.6% ownership interest at September 30, 2009 and September 30, 2008, respectively, and through the old TRS prior to September 1, 2009, and through FI LLC, the new TRS and FRIP subsequent to September 1, 2009. We also conduct operations through other partnerships, corporations, and limited liability companies, the operating data of which, together with that of the Operating Partnership, FI LLC, FRIP and the TRSs, are consolidated with that of the Company as presented herein. Noncontrolling interest at September 30, 2009 and September 30, 2008 of approximately 10.3% and 12.4%, respectively, represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

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

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

As of September 30, 2009, we owned 787 industrial properties (inclusive of developments in process) located in 28 states in the United States and one province in Canada, containing an aggregate of approximately 69.7 million square feet of gross leaseable area (GLA).

2. Current Business Risks and Uncertainties

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

Our $500,000 unsecured credit facility (the Unsecured Line of Credit) and the indentures under which our senior unsecured indebtedness is, or may be, issued, contain certain financial covenants, including, among other things, coverage ratios and limitations on our ability to incur total indebtedness and secured and unsecured indebtedness. Consistent with our prior practice, we will, in the future, continue to interpret and certify our performance under these covenants in a good faith manner that we deem reasonable and appropriate. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our lenders in a manner that could impose and cause us to incur material costs. Any violation of these covenants would subject us to higher finance costs and fees, or accelerated maturities. In addition, our credit facilities and

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

senior debt securities contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. Under the Unsecured Line of Credit, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement.

We believe that we were in compliance with our financial covenants as of September 30, 2009, and we anticipate that we will be able to operate in compliance with our financial covenants for the remainder of 2009. However, our ability to meet our financial covenants may be reduced if economic and capital market conditions limit our property sales and reduce our net operating income below our projections. We plan to enhance our liquidity, and reduce our indebtedness, through a combination of capital retention, mortgage and equity financing, asset sales and the repayment of outstanding debt.

Capital Retention We plan to retain capital by distributing the minimum amount of dividends required to maintain our REIT status. We did not pay a common dividend in April 2009, July 2009 or October 2009 and may not pay dividends for the last quarter in 2009 depending on our taxable income. If we are required to pay common stock dividends for 2009, we may elect to satisfy this obligation by distributing a combination of cash and common shares.

Mortgage Financing During the three and nine months ended September 30, 2009, we originated $47,080 and $201,260, respectively, in mortgage financings with maturities ranging from September 2014 to July 2019 and interest rates ranging from 6.42% to 7.87% (see Note 5). We believe these mortgage financings comply with all covenants contained in our Unsecured Line of Credit and our senior debt securities, including coverage ratios and total indebtedness, total unsecured indebtedness and total secured indebtedness limitations. We are in active discussions with various lenders regarding the origination of additional mortgage financings and the terms and conditions thereof. We expect to use proceeds from our mortgage financings to pay down our debt. No assurances can be made that additional mortgage financing will be obtained.

Equity Financing During the three and nine months ended September 30, 2009, we sold 3,034,120 shares of the Company s common stock, generating approximately $15,920 in net proceeds, under the direct stock purchase component of the Company s Dividend Reinvestment and Direct Stock Purchase Plan (DRIP). On September 29, 2009, we agreed to sell in an underwritten public offering 12,500,000 shares, with an underwriters overallotment option to purchase up to 1,875,000 additional shares, of the Company s common stock at a price to the public of $5.25 per share (see Note 6). We may opportunistically access the equity markets again, subject to contractual restrictions, and may continue to issue shares under the direct stock purchase component of the DRIP. We expect to use the proceeds from our equity sales to reduce our indebtedness.

Asset Sales During the three and nine months ended September 30, 2009 we sold five industrial properties and several land parcels, and 11 industrial properties and several land parcels, respectively, for gross proceeds of $23,753 and $57,238, respectively. We are in various stages of discussions with third parties for the sale of additional properties for the remainder of 2009 and plan to continue to market other properties for sale throughout 2009. We expect to use sales proceeds to pay down additional debt. If we are unable to sell properties on an advantageous basis, this may impair our liquidity and our ability to meet our financial covenants.

Debt Reduction During the three and nine months ended September 30, 2009, we repurchased $123,712 and $158,691, respectively, of our senior unsecured notes (including $19,279 of our 2009 Notes prior to their repayment at maturity on June 15, 2009) (see Note 5), at a discount to the principal amounts of the notes. We may from time to time repay additional amounts of our outstanding debt. Any repayments would depend upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors we consider important. Future repayments may materially impact our liquidity, future tax liability and results of operations.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although we believe we will be successful in meeting our liquidity needs through a combination of capital retention, mortgage and equity financing and asset sales, if we were to be unsuccessful in executing one or more of the strategies outlined above, we could be materially adversely affected.

3. Summary of Significant Accounting Policies

The accompanying unaudited interim financial statements have been prepared in accordance with the accounting policies described in the financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K) and should be read in conjunction with such financial statements and related notes. The following notes to these interim financial statements highlight significant changes to the notes included in the December 31, 2008 audited financial statements included in our 2008 Form 10-K and present interim disclosures as required by the Securities and Exchange Commission.

The 2008 year end consolidated balance sheet data included in this Form 10-Q filing was derived from the audited financial statements in our 2008 Form 10-K, and has been revised as the result of the adoption of new accounting principles (mentioned hereafter), but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP).

In order to conform with GAAP, we, in preparation of our financial statements, are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of September 30, 2009 and December 31, 2008, and the reported amounts of revenues and expenses for the three and nine months ended September 30, 2009 and September 30, 2008. Actual results could differ from those estimates.

In our opinion, the accompanying unaudited interim financial statements reflect all adjustments necessary for a fair statement of our financial position as of September 30, 2009 and December 31, 2008 and the results of our operations and comprehensive income for each of the three and nine months ended September 30, 2009 and September 30, 2008, and our cash flows for each of the nine months ended September 30, 2009 and September 30, 2008, and all adjustments are of a normal recurring nature.

Deferred Leasing Intangibles

Deferred Leasing Intangibles, exclusive of Deferred Leasing Intangibles held for sale, included in our total assets consist of the following:

	September 30, 2009	December 31, 2008
In-Place Leases	$ 73,560	$ 84,424
Less: Accumulated Amortization	(32,468)	(30,350)
	$ 41,092	$ 54,074

Above Market Leases	$	13,870	$	15,830
Less: Accumulated Amortization		(2,610)		(2,607)
	$	11,260	$	13,223
Tenant Relationships	$	27,034	$	28,717
Less: Accumulated Amortization		(7,572)		(5,672)
	$	19,462	$	23,045
Total Deferred Leasing Intangibles, Net	$	71,814	$	90,342

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Leasing Intangibles, exclusive of Deferred Leasing Intangibles held for sale, included in our total liabilities consist of the following:

	September 30, 2009	December 31, 2008
Below Market Leases	$ 40,913	$ 42,856
Less: Accumulated Amortization	(14,914)	(12,102)
Total Deferred Leasing Intangibles, Net	$ 25,999	$ 30,754

Amortization expense related to in-place leases and tenant relationships of deferred leasing intangibles was $4,120 and $6,764 for the three months ended September 30, 2009 and September 30, 2008, respectively, and $14,164 and $23,652 for the nine months ended September 30, 2009 and September 30, 2008, respectively. Rental revenues increased by $1,073 and $1,135 related to net amortization of above/(below) market leases for the three months ended September 30, 2009 and September 30, 2008, respectively, and $2,371 and $5,958 for the nine months ended September 30, 2009 and September 30, 2008, respectively.

Income Taxes

An income tax benefit has been made for federal income taxes in the accompanying consolidated financial statements for activities conducted in the TRSs. The total benefit/expense has been separately allocated to income from continuing operations, income from discontinued operations and gain on sale of real estate.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (the FASB) issued new guidance which revises and updates previously issued guidance related to variable interest entities. This new guidance revises the previous guidance by eliminating the exemption for qualifying special purpose entities, by establishing a new approach for determining who should consolidate a variable-interest entity and by changing when it is necessary to reassess who should consolidate a variable-interest entity. We will adopt this new guidance January 1, 2010. We are currently reviewing the impact of the guidance on our financial statements and expect to complete this evaluation in 2009.

In May 2009, the FASB issued guidance relating to events that occur subsequent to the reporting date. The guidance is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. The guidance is effective for interim and annual periods ending after June 15, 2009. We adopted this guidance in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009. This guidance does not impact the consolidated financial results as it is disclosure-only in nature.

In April 2009, the FASB issued guidance which requires an entity to provide disclosures about fair value of financial instruments in interim financial information. The disclosures are required prospectively and are effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. We first included the required disclosures in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009. This guidance does not impact the consolidated financial results as it is disclosure-only in nature.

Effective January 1, 2009 we adopted newly issued guidance from the FASB relating to noncontrolling interests within consolidated financial statements. This guidance establishes requirements for ownership interests in subsidiaries held by parties other than the Company (formerly called minority interests) to be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. Changes in a parent s ownership interest (and transactions with noncontrolling interest holders)

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

while the parent retains its controlling financial interest in its subsidiary should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. As a result of transactions with noncontrolling interest holders and changes in ownership percentages that occurred during the nine months ended September 30, 2009, we decreased noncontrolling interest and increased Additional Paid-in-Capital by $38,811, which represents the cumulative impact of historical changes in the parent s ownership in the subsidiary. This guidance was effective, on a prospective basis, for fiscal years beginning after December 15, 2008, however, presentation and disclosure requirements need to be retrospectively applied to comparative financial statements. See Note 6 for additional disclosures.

Effective January 1, 2009 we adopted newly issued guidance from the FASB relating to disclosures about derivatives and hedging activities. This guidance expands the current disclosure requirements and entities must now provide enhanced disclosures on an interim basis and annual basis regarding how and why the entity uses derivatives, how derivatives and related hedged items are accounted for and how derivatives and related hedged items affect the entity s financial position, financial results and cash flow. See Note 15 for the required disclosures. This guidance does not impact the consolidated financial results as it is disclosure-only in nature.

Effective January 1, 2009 we adopted newly issued guidance from the FASB which delayed the effective date relating to fair value measurements for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). See Note 12 for the required disclosures. This guidance does not impact the consolidated financial results as it is disclosure-only in nature.

Effective January 1, 2009 we adopted newly issued guidance from the Emerging Issues Task Force (EITF) regarding the determination of whether instruments granted in share-based payment transactions are participating securities. The guidance required retrospective application. Under this guidance, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in the computation of earnings per share (EPS) pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. Certain restricted stock awards granted to employees and directors are considered participating securities as they receive non-forfeitable dividend or dividend equivalents at the same rate as common stock. The impact of adopting this guidance decreased previously filed basic and diluted EPS by $0.05 for the nine months ended September 30, 2008.

Effective January 1, 2009 we adopted newly issued guidance from the FASB regarding business combinations. This guidance states that direct costs of a business combination, such as transaction fees, due diligence and consulting fees no longer qualify to be capitalized as part of the business combination. Instead, these direct costs need to be recognized as expense in the period in which they are incurred. Accordingly, we retroactively expensed these types of costs in 2008 related to future operating property acquisitions.

Effective January 1, 2009 we adopted newly issued guidance from the Accounting Principles Board (APB) regarding accounting for convertible debt instruments that may be settled for cash upon conversion. This guidance requires the liability and equity components of convertible debt instruments to be separately accounted for in a manner that reflects the issuer s nonconvertible debt borrowing rate. The guidance requires that the value assigned to the debt component be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount is then amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. Retrospective application to all periods presented is required.

The equity component of our convertible unsecured notes (the 2011 Exchangeable Notes) was $7,898 and therefore we retroactively adjusted our Senior Unsecured Debt by this amount as of September 2006. This debt discount has been subsequently amortized and as of September 30, 2009 the principal amount of the 2011

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Exchangeable Notes, its unamortized discount and the net carrying amount is $199,000, $3,143 and $195,857, respectively. In addition, we reclassified $194 of the original finance fees incurred in relation to the 2011 Exchangeable Notes to equity as of September 2006. For the three and nine months ended September 30, 2009, we recognized $2,705 and $8,120, respectively, of interest expense related to the 2011 Exchangeable Notes of which $2,311 and $6,936, respectively, relates to the coupon rate and $394 and $1,184, respectively, relates to the debt discount amortization. We anticipate amortizing the remaining debt discount into interest expense through maturity in September 2011. We recognized $3,555 and $(88) as an adjustment to total equity as of December 31, 2008 that represents amortization expense of the discount and the loan fees, respectively, which would have been recognized had the new guidance regarding accounting for convertible debt instruments been effective since the issuance date of our 2011 Exchangeable Notes.

The impact to net income and the loss from continuing operations, before noncontrolling interest, related to the adoption of the guidance regarding business combinations and convertible debt instruments, for the three and nine months ended September 30, 2008 was an increase to general and administrative expense of $22 and $151, respectively, an increase to interest expense of $395 and $1,185, respectively, and a decrease to amortization of deferred financing fees of $10 and $30, respectively.

The impact to the balance sheet as of December 31, 2008 related to the adoption of the guidance regarding business combinations and convertible debt instruments is as follows:

	Balance Sheet as Previously Filed - as of December 31, 2008	Adjustments Related to Adoption of Business Combination Guidance	Adjustments Related to Adoption of Convertible Debt Instrument Guidance	Balance Sheet as Adjusted - as of December 31, 2008
Deferred Financing Costs, Net	$ 12,197	$	$ (106)	$ 12,091
Prepaid Expenses and Other Assets, Net	$ 174,743	$ (269)	$	$ 174,474
Senior Unsecured Debt, Net	$ 1,516,298	$	$ (4,343)	$ 1,511,955
Additional Paid-in-Capital	$ 1,390,358	$	$ 7,666	$ 1,398,024
Distributions in Excess of Accumulated Earnings	$ (366,962)	$ (255)	$ (3,012)	$ (370,229)
Total First Industrial Realty Trust, Inc. s Stockholders Equity	$ 864,200	$ (255)	$ 4,654	$ 868,599
Noncontrolling Interest	122,548	(14)	(417)	122,117
Total Equity	$ 986,748	$ (269)	$ 4,237	$ 990,716

4. Investments in Joint Ventures and Property Management Services

At September 30, 2009, the 2003 Net Lease Joint Venture owned 10 industrial properties comprising approximately 5.1 million square feet of GLA, the 2005 Development/Repositioning Joint Venture owned 46 industrial properties comprising approximately 8.2 million square feet of GLA and several land parcels, the 2005 Core Joint Venture owned 48 industrial properties comprising approximately 3.9 million square feet of GLA and several land parcels, the 2006 Net Lease Co-Investment Program owned 11 industrial properties comprising approximately 4.4 million square feet of GLA, the 2006 Land/Development Joint Venture owned one industrial property comprising approximately 0.8 million square feet and several land parcels and the 2007 Canada Joint Venture owned two industrial properties comprising approximately 0.2 million square feet of GLA and several land parcels. As of September 30, 2009, the 2007 Europe Joint Venture does not own any properties.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On September 18, 2009, the Company received a notice from the counterparty in the 2006 Net Lease Co-Investment Program that such counterparty is exercising the buy/sell provision in the program s governing agreement to either purchase the Company s 15% interests in the real property assets currently owned by the program or sell to the Company its interests in some or all of such assets, along with an additional real property asset in another program which the Company manages but in which the Company has no ownership interest. The purchasing party for each asset in the program will be required to deposit 10% of the applicable purchase price, as an earnest money deposit, and the remaining 90% will be required to be paid within six months, or other mutually agreed upon time. Under the buy/sell provision, the Company has a 60 day period during which to respond. The Company is still evaluating its alternatives, but anticipates that it will accept the counterparty s offered price to purchase the Company s interests in all of the 2006 Net Lease Co-Investment Program s real property assets. As a result, during the three months ended September 30, 2009, we recognized a $3,879 impairment loss in Equity in Loss of Joint Ventures as a result of the difference between our basis in our 2006 Net Lease Co-Investment Program interest and the offered price, which approximates fair value. Additionally, we recorded an impairment loss of $1,748 in Equity in Loss of Joint Ventures which represents our proportionate share of the impairment loss recorded by the 2006 Net Lease Co-Investment Program related to one industrial property.

During July 2007, we entered into a management arrangement with an institutional investor to provide property management, leasing, acquisition, disposition and portfolio management services for industrial properties (the July 2007 Fund). We do not own an equity interest in the July 2007 Fund, however, we are entitled to incentive payments if certain economic thresholds related to the industrial properties are achieved. During the three months ended September 30, 2009, our management arrangement for certain industrial properties within the July 2007 Fund was terminated. We received and recorded $866 as a termination fee which is included in Tenant Recoveries and Other Income on the statement of operations for the three and nine months ended September 30, 2009.

At September 30, 2009 and December 31, 2008, we have receivables from the Joint Ventures and the July 2007 Fund of $1,729 and $3,939, respectively, which mainly relates to development, leasing, property management and asset management fees due to us from the Joint Ventures and the July 2007 Fund, reimbursement for other operating expenditures paid on behalf of the Joint Ventures and the July 2007 Fund and reimbursement for development expenditures made by the TRSs in their capacity as the general contractor for development projects for the 2005 Development/Repositioning Joint Venture. These receivable amounts are included in Prepaid Expenses and Other Assets, Net.

During the three and nine months ended September 30, 2009 and September 30, 2008, we invested the following amounts in, as well as received distributions from, our Joint Ventures and recognized fees from acquisition, disposition, leasing, development, incentive, property management and asset management services from our Joint Ventures and the July 2007 Fund in the following amounts:

	Three Months Ended September 30, 2009	**Three Months Ended September 30, 2008**	**Nine Months Ended September 30, 2009**	**Nine Months Ended September 30, 2008**

Contributions	$	449	$	3,585	$	3,170	$	13,999
Distributions	$	1,126	$	6,636	$	8,069	$	17,868
Fees	$	3,450	$	5,969	$	9,008	$	15,257

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following table discloses certain information regarding our mortgage loans payable, senior unsecured debt and Unsecured Line of Credit:

	Outstanding Balance at September 30, 2009	Outstanding Balance at (As Adjusted) December 31, 2008	Interest Rate at September 30, 2009	Effective Interest Rate at September 30, 2009	Maturity Date
Mortgage Loans Payable, Net	$ 270,353	$ 77,396	5.92 % - 9.25%	4.93 % - 9.25%	December 2010 - September 2024
Unamortized Premiums	(1,180)	(1,717)			
Mortgage Loans Payable, Gross	$ 269,173	$ 75,679			
Senior Unsecured Debt, Net					
2016 Notes	$ 175,117	$ 194,524	5.750 %	5.91 %	01/15/16
2017 Notes	91,053	99,914	7.500 %	7.52 %	12/01/17
2027 Notes	15,057	15,056	7.150 %	7.11 %	05/15/27
2028 Notes	199,852	199,846	7.600 %	8.13 %	07/15/28
2011 Notes	155,831	199,868	7.375 %	7.39 %	03/15/11
2012 Notes	143,812	199,546	6.875 %	6.85 %	04/15/12
2032 Notes	49,497	49,480	7.750 %	7.87 %	04/15/32
2009 Notes		124,980	5.250 %	4.10 %	06/15/09
2014 Notes	106,763	114,921	6.420 %	6.54 %	06/01/14
2011 Exchangeable Notes*	195,857	195,657	4.625 %	5.53 %	09/15/11
2017 II Notes	118,186	118,163	5.950 %	6.37 %	05/15/17
Subtotal	$ 1,251,025	$ 1,511,955			
Unamortized Discounts	13,063	16,545			
Senior Unsecured Debt, Gross	$ 1,264,088	$ 1,528,500			
	$ 469,588	$ 443,284	1.281 %	1.281 %	09/28/12

Unsecured Line of Credit

* On September 25, 2006, we issued $175,000 of the 2011 Exchangeable Notes which bears interest at a rate of 4.625%. We also granted the initial purchasers of the 2011 Exchangeable Notes an option exercisable until October 4, 2006 to purchase up to an additional $25,000 principal amount of the 2011 Exchangeable Notes to cover over-allotments, if any (the Over-Allotment Option). On October 3, 2006, the initial purchasers of the 2011 Exchangeable Notes exercised their Over-Allotment Option with respect to $25,000 in principal amount of the 2011 Exchangeable Notes. With the exercise of the Over-Allotment Option, the aggregate principal amount of 2011 Exchangeable Notes initially issued and outstanding was $200,000. The 2011 Exchangeable Notes have an initial exchange rate of 19.6356 shares of our common stock per $1,000 principal amount, representing an exchange price of approximately $50.93 per common share which is an exchange premium of approximately 20% based on the last reported sale price of $42.44 per share of our common stock on September 19, 2006.

In connection with our offering of the 2011 Exchangeable Notes, we entered into capped call transactions (the capped call transactions) with affiliates of two of the initial purchasers of the 2011 Exchangeable Notes (the option counterparties) in order to increase the effective exchange price of the 2011 Exchangeable Notes to $59.42 per share of our common stock, which represents an exchange premium of approximately 40% based on the last reported sale price of $42.44 per share of the our common stock on September 19, 2006. The aggregate cost of the capped call transactions was approximately $6,835. The capped call transactions are expected to reduce the potential dilution with respect to our common stock upon exchange of the 2011 Exchangeable Notes to the extent the then market value per share of our common stock does not exceed the cap price of the capped call

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

transaction during the observation period relating to an exchange. The cost of the capped call is accounted for as a hedge and included in First Industrial Realty Trust, Inc. s Stockholders Equity because the derivative is indexed to our own stock and meets the scope exception within the derivative guidance.

During the nine months ended September 30, 2009, we obtained the following mortgage loans:

Mortgage Financing	Loan Principal	Interest Rate	Origination Date	Maturity Date	Amortization Period	Number of Industrial Properties Collateralizing Mortgage	GLA (In millions)	Property Carrying Value at September 30, 2009
I	$ 14,680	7.50%	May 7, 2009	June 5, 2016	25-year	1	0.6	$ 22,113
II	$ 62,500	7.75%	May 8, 2009	June 1, 2016	25-year	26	3.1	$ 93,575
III	$ 77,000	7.87%	June 3, 2009	July 1, 2019	30-year	28	2.6	$ 127,047
IV	$ 2,000	7.50%	August 27, 2009	September 5, 2014	22-year	1	0.1	$ 3,622
	$ 5,850	7.60%	August 27, 2009	September 5, 2016	25-year	1	0.2	$ 10,043
	$ 5,000	7.60%	August 26, 2009	September 5, 2016	25-year	1	0.2	$ 6,624
V	$ 7,350	6.95%	September 21, 2009	October 15, 2014	25-year	7	0.2	$ 8,296
	$ 4,100	7.05%			25-year	1	0.1	$ 5,086
	$ 8,900	7.05%			25-year	5	0.5	$ 11,878
VI	$ 13,880	6.42%	September 24, 2009	November 1, 2014	25-year	5	0.3	$ 17,910
	$ 201,260							$ 306,194

For Mortgage Financings I, II, III and IV, prepayment is prohibited anywhere between 36 and 60 months from loan origination. Thereafter, a prepayment premium is required. Mortgage Financing I requires the payment of a premium equal to 3% of the loan balance if paid during the fifth loan year, 2% during the sixth loan year, 1% during the seventh loan year. No premium shall be due on prepayments made within 45 days of maturity. Mortgage Financings II and III require the payment of a premium equal to the greater of 1% of the loan balance or a yield maintenance amount. No premium shall be due on prepayments made within 90 days of maturity for Mortgage Financing II and 120 days for Mortgage Financing III. Mortgage Financing IV requires the payment of a premium equal to 2% of the loan balance if paid during the fourth loan year, 1% during the fifth loan year for the $2,000 loan, and the payment of a premium equal to 3% of the loan balance if paid during the fifth loan year, 2% during the sixth loan year, 1% during the seventh loan year for the $5,850 and $5,000 loans. No premium shall be due on prepayments made within 45 days of maturity.

Prepayment is not prohibited at any time for Mortgage Financings V and VI, but a prepayment penalty is required. Mortgage Financing V requires the payment of a premium equal to the greater of 1% of the loan balance or a yield maintenance amount. No premium shall be due on prepayments made within 120 days of maturity. Mortgage Financing VI requires the payment of a premium equal to 5% of the outstanding loan balance if paid during the first loan year, 4% during the second loan year, 3% during the third loan year, 2% during the fourth loan year and 1% during the fifth loan year. No premium shall be due on prepayments made within 60 days of maturity.

On June 1, 2009 we paid off and retired our secured mortgage debt maturing in July 2009 in the amount of $5,025.

On June 15, 2009, we paid off and retired our 2009 Notes in the amount of $105,721.

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the three and nine months ended September 30, 2009, we repurchased and retired the following senior unsecured debt prior to its maturity:

	Principal Amount Repurchased		Purchase Price	
	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
2009 Notes	$	$ 19,279	$	$ 19,064
2011 Notes	44,102	44,102	40,438	40,438
2011 Exchangeable Notes	1,000	1,000	870	870
2012 Notes	40,235	55,935	36,606	48,519
2014 Notes	10,000	10,000	7,100	7,100
2016 Notes	19,500	19,500	12,115	12,115
2017 Notes	8,875	8,875	7,098	7,098
	$ 123,712	$ 158,691	$ 104,227	$ 135,204

In connection with these repurchases prior to maturity, we recognized $18,179 and $22,165 as gain on early retirement of debt for the three and nine months ended September 30, 2009, respectively, which is the difference between the repurchase amount of $104,227 and $135,204, respectively, and the principal amount retired of $123,712 and $158,691, respectively, net of the pro rata write off of the unamortized debt issue discount, the unamortized loan fees and the unamortized settlement amount of the interest rate protection agreements related to the repurchases of $909, $416 and $3, respectively, and $941, $463 and $(60), respectively. In addition, we allocated $22 of the purchase price for our 2011 Exchangeable Notes to the reacquisition of the 2011 Exchangeable Notes equity component.

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

	Amount
Remainder of 2009	$ 1,031
2010	17,447
2011	364,730
2012	621,207
2013	5,519

Thereafter	992,915
Total	$ 2,002,849

All of our senior unsecured debt (except for the 2011 Exchangeable Notes) contain certain covenants, including limitations on incurrence of debt and debt service coverage. The Unsecured Line of Credit contains certain covenants, including limitations on incurrence of debt and debt service coverage. Under the Unsecured Line of Credit, an event of default can also occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreement. We believe that the Operating Partnership and the Company were in compliance with all covenants relating to senior unsecured debt and the Unsecured Line of Credit as of September 30, 2009. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our noteholders or lenders in a manner that could impose and cause us to incur material costs.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value

At September 30, 2009 and December 31, 2008, the fair value of our mortgage loans payable, senior unsecured debt and Unsecured Line of Credit were as follows:

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage Loans Payable, Net	$ 270,353	$ 269,059	$ 77,396	$ 75,817
Senior Unsecured Debt, Net	1,251,025	984,305	1,511,955	1,033,283
Unsecured Line of Credit	469,588	420,801	443,284	400,849
Total	$ 1,990,966	$ 1,674,165	$ 2,032,635	$ 1,509,949

The fair value of the senior unsecured debt was determined by quoted market prices, if available. The fair values of our mortgage loans payable 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 Unsecured Line of Credit was determined by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term, assuming no repayment until maturity.

6. Stockholders Equity

Shares of Common Stock:

During the nine months ended September 30, 2009, 318,094 limited partnership interests in the Operating Partnership (Units) were converted into an equivalent number of shares of common stock, resulting in a reclassification of $6,444 of noncontrolling interest to First Industrial Realty Trust Inc. s Stockholders Equity.

On August 8, 2008, the Company s DRIP became effective. Under the terms of the DRIP, stockholders who participate may reinvest all or part of their dividends in additional shares of the Company at a discount from the market price, at our discretion, when the shares are issued and sold directly by us from authorized but unissued shares of the Company s common stock. Stockholders and non-stockholders may also purchase additional shares at a discounted price, at our discretion, when the shares are issued and sold directly by us from authorized but unissued shares of the Company s common stock, by making optional cash payments, subject to certain dollar thresholds. During the three months ended September 30, 2009, we issued 3,034,120 shares under the direct stock purchase component of the DRIP for approximately $15,920.

On September 29, 2009, we agreed to sell in an underwritten public offering of 12,500,000 shares the Company s common stock at a price of $5.25 per share that settled on October 5, 2009. In addition, we granted the underwriters a 30-day option to purchase up to an additional 1,875,000 shares to cover over-allotments, if any. The underwriters option was partially exercised and 1,135,700 additional shares settled on October 5, 2009. The price per share to the public was $5.25 resulting in gross offering proceeds from the issuance, including from the over-allotment option, of $71,587 in the aggregate. Proceeds to us, net of underwriters discount and total expenses, were approximately $67,803.

During the three months ended September 30, 2009, we awarded 27,588 shares of common stock to certain directors. The common stock shares had a fair value of approximately $120 on the date of issuance.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the changes in Total Equity:

	Total	First Industrial Realty Trust, Inc. Common Stockholders	Noncontrolling Interest
Total Equity, December 31, 2008 (As Adjusted)	$ 990,716	$ 868,599	$ 122,117
Net Loss	(13,565)	(10,465)	(3,100)
Other Comprehensive Loss	930	357	573
Comprehensive Loss	(12,635)	(10,108)	(2,527)
Conversion of Units to Common Stock		3	(3)
Additional Paid in Capital:			
Amortization of Restricted Stock Awards	11,037	11,037	
Conversion of Units to Common Stock		6,441	(6,441)
Issuance of Common Stock	16,040	16,040	
Reallocation of Noncontrolling Interest		38,812	(38,812)
Repurchase and Retirement of Restricted Stock Awards/Common Stock	(726)	(726)	
Stock Offering Costs	(144)	(144)	
Repurchase of Equity Component Exchangeable Notes	(22)	(22)	
Distributions in Excess of Accumulated Earnings:			
Preferred Dividends	(14,594)	(14,594)	
Total Equity, September 30, 2009	$ 989,672	$ 915,338	$ 74,334

Restricted Stock/Units:

During the nine months ended September 30, 2009, we awarded 35,145 shares of restricted common stock to certain directors. The restricted common stock had a fair value of approximately $149 on the date of issuance. The restricted common stock awarded to directors vests over a five year period. Compensation expense will be charged to earnings over the respective vesting period for the shares expected to vest.

During the nine months ended September 30, 2009, we made a grant of 1,000,000 restricted stock units to our Chief Executive Officer. These restricted stock units had a fair value of approximately $6,014 on the date of issuance. Of these restricted stock units, a total of 600,000 (the Service Awards) vest in four equal installments on the first, second, third and fourth year anniversary of December 31, 2008, and a total of 400,000 (the Performance Awards) vest in four installments of up to 100,000 on the first, up to 200,000 on the second, up to 300,000 on the third and up to 400,000 on the fourth year anniversary of December 31, 2008, to the extent certain market conditions are met. The market conditions are met when certain stock price levels are achieved and maintained for certain time periods between the award issuance date and December 31, 2013. Both the Service Awards and Performance Awards require the Chief Executive Officer to be employed by the Company at the applicable vesting dates, subject to certain clauses in the award agreement. The Service Awards are amortized over the four year service period. The Performance Awards are amortized over the service period of each installment.

During the three months ended September 30, 2009, we made a grant of 473,600 restricted stock units to certain members of management. These restricted stock units had a fair value of approximately $1,392 on the date of issuance. The restricted stock units will vest in four installments on the first, second, third and fourth anniversary of June 30, 2009, to the extent certain service periods and market conditions are both met. The market conditions are met when certain stock price levels are achieved and maintained for certain time periods between the award

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

issuance date and June 30, 2014. The restricted stock units are amortized over the service period of each installment. In conjunction with the issuance of the restricted stock units, the members of management were also granted cash awards with a fair value of $792. The cash awards vest on June 30, 2010 and compensation expense is recognized on a straight-line basis over the service period. In order to receive the restricted stock units and the cash awards, the members of management are required to be employed by the Company at the applicable vesting dates, subject to certain clauses in the award agreements.

Dividend/Distributions:

The coupon rate of our Series F Preferred Stock resets every quarter beginning March 31, 2009 at 2.375% plus the greater of (i) the 30 year U.S. Treasury rate, (ii) the 10 year U.S. Treasury rate or (iii) 3-month LIBOR. On July 1, 2009, the new coupon rate was 6.685%. See Note 15 for additional derivative information related to the Series F Preferred Stock coupon rate reset.

The following table summarizes dividends/distributions accrued during the nine months ended September 30, 2009.

	Nine Months Ended September 30, 2009	
	Dividend/ Distribution per Share	Total Dividend
Series F Preferred Stock	$ 4,724.00	$ 2,362
Series G Preferred Stock	$ 5,427.00	$ 1,357
Series J Preferred Stock	$ 13,593.90	$ 8,156
Series K Preferred Stock	$ 13,593.90	$ 2,719

7. Acquisition of Real Estate

During the nine months ended September 30, 2008, we acquired 25 industrial properties comprising approximately 3.1 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled approximately $316,015, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels.

During the nine months ended September 30, 2009, we acquired one land parcel. The purchase price of the land parcel was approximately $208, excluding costs incurred in conjunction with the acquisition of the land parcel.

Intangible Assets Subject to Amortization in the Period of Acquisition

The fair value of in-place leases, above market leases, tenant relationships and below market leases recorded due to real estate properties acquired for the nine months ended September 30, 2009 and September 30, 2008 is as follows:

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
In-Place Leases	$	$ 19,346
Above Market Leases	$	$ 61
Tenant Relationships	$	$ 6,973
Below Market Leases	$	$ (3,482)

Table of Contents

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The weighted average life in months of in-place leases, above market leases, tenant relationships and below market leases recorded as a result of the real estate properties acquired for the nine months ended September 30, 2009 and September 30, 2008 is as follows:

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
In-Place Leases	N/A	116
Above Market Leases	N/A	43
Tenant Relationships	N/A	92
Below Market Leases	N/A	34

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

During the nine months ended September 30, 2009, we sold 11 industrial properties comprising approximately 1.3 million square feet of GLA and several land parcels. Gross proceeds from the sales of the 11 industrial properties and several land parcels were approximately $57,238. The gain on sale of real estate was approximately $15,775, of which $15,054 is shown in discontinued operations. The 11 sold industrial properties meet the criteria to be included in discontinued operations. Therefore the results of operations and gain on sale of real estate for the 11 sold industrial properties are included in discontinued operations. The results of operations and gain on sale of real estate for the several land parcels that does not meet the criteria to be included in discontinued operations is included in continuing operations.

At September 30, 2009, we had seven industrial properties comprising approximately 0.9 million square feet of GLA held for sale. The results of operations of the seven industrial properties held for sale at September 30, 2009 are included in discontinued operations. There can be no assurance that such industrial properties held for sale will be sold.

Income from discontinued operations, net of income taxes, for the nine months ended September 30, 2008 reflects the results of operations of the 11 industrial properties that were sold during the nine months ended September 30, 2009, the results of operations of 113 industrial properties that were sold during the year ended December 31, 2008, the results of operations of the seven industrial properties identified as held for sale at September 30, 2009 and the gain on sale of real estate relating to 107 industrial properties that were sold during the nine months ended September 30, 2008.

The following table discloses certain information regarding the industrial properties included in our discontinued operations for the three and nine months ended September 30, 2009 and September 30, 2008:

	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended

	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Total Revenues	$ 1,344	$ 5,046	$ 5,563	$ 34,663
Property Expenses	(197)	(1,810)	(1,601)	(12,611)
Depreciation and Amortization	(451)	(1,654)	(2,292)	(9,056)
Gain on Sale of Real Estate	6,734	22,548	15,054	166,393
(Provision) Benefit for Income Taxes	(96)	(75)	30	(3,379)
Income from Discontinued Operations	$ 7,334	$ 24,055	$ 16,754	$ 176,010

At September 30, 2009 and December 31, 2008, we had notes receivables outstanding of approximately $47,912 and $37,512, respectively, which is included as a component of Prepaid Expenses and Other Assets, Net. At

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2009 and December 31, 2008, the fair value of the notes receivables were $43,681 and $31,061, respectively. The fair values of our notes receivables 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.

9. Supplemental Information to Statements of Cash Flows

Supplemental disclosure of cash flow information:

		Nine Months Ended September 30, 2009		(As Adjusted) Nine Months Ended September 30, 2008
Interest paid, net of capitalized interest	$	88,965	$	85,103
Capitalized interest	$	281	$	6,711
Supplemental schedule of noncash investing and financing activities:				
Distribution payable on common stock/Units	$		$	36,425
Distribution payable on preferred stock	$		$	
Exchange of Units for common stock:				
Noncontrolling interest	$	(6,444)	$	(4,187)
Common stock		3		2
Additional paid-in-capital		6,441		4,185
	$		$	
In conjunction with the property and land acquisitions, the following liabilities were assumed:				
Accounts payable and accrued expenses	$		$	(464)
Mortgage debt	$		$	(7,852)
Write-off of fully depreciated assets	$	(42,253)	$	(58,469)
In conjunction with certain property sales, we provided seller financing:				
Mortgage notes receivable	$	12,615	$	62,613

20

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Earnings Per Share (EPS)

The computation of basic and diluted EPS is presented below:

	Three Months Ended September 30, 2009	(As Adjusted) Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	(As Adjusted) Nine Months Ended September 30, 2008
Numerator:				
Loss from Continuing Operations	$ (5,203)	$ (15,142)	$ (30,889)	$ (64,341)
Noncontrolling Interest Allocable to Continuing Operations	1,051	2,531	5,018	9,901
Loss from Continuing Operations, Net of Noncontrolling Interest and Income Tax Benefit	(4,152)	(12,611)	(25,871)	(54,440)
Gain on Sale of Real Estate	261		721	12,008
Income Tax Benefit (Provision) Allocable to Gain on Sale of Real Estate	380		(151)	(2,909)
Noncontrolling Interest Allocable to Gain on Sale of Real Estate	(69)		(63)	(1,140)
Preferred Stock Dividends	(4,913)	(4,857)	(14,594)	(14,571)
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders	$ (8,493)	$ (17,468)	$ (39,958)	$ (61,052)
Income from Discontinued Operations	$ 7,430	$ 24,130	$ 16,724	$ 179,389
Income Tax (Provision) Benefit Allocable to Discontinued Operations	(96)	(75)	30	(3,379)
Noncontrolling Interest Allocable to Discontinued Operations	(789)	(2,985)	(1,855)	(22,054)
Discontinued Operations Allocable to Participating Securities		(95)		(2,290)
Discontinued Operations Attributable to First Industrial Realty Trust, Inc.	$ 6,545	$ 20,975	$ 14,899	$ 151,666
Net (Loss) Income Available	$ (1,948)	$ 3,602	$ (25,059)	$ 92,904
		(95)		(2,290)

Net Income Allocable to Participating Securities								
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(1,948)	$	3,507	$	(25,059)	$	90,614
Denominator:								
Weighted Average Shares Basic and Diluted		45,360,288		43,150,905		44,653,170		43,087,942
Basic and Diluted EPS:								
Loss from Continuing Operations Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.19)	$	(0.40)	$	(0.89)	$	(1.42)
Discontinued Operations Attributable to First Industrial Realty Trust, Inc. s Common Stockholders	$	0.14	$	0.49	$	0.33	$	3.52
Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders	$	(0.04)	$	0.08	$	(0.56)	$	2.10

Participating securities included unvested restricted stock/units outstanding during the respective period that participate in non-forfeitable dividends of the Company. In accordance with the newly issued guidance regarding participating securities, $95 and $2,290 of income was allocated to participating securities for purposes of the EPS

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

computation based on their proportionate share of net income for the three and nine months ended September 30, 2008, respectively. Participating security holders are not obligated to share in losses, therefore, none of the loss was allocated to participating securities for the three and nine months ended September 30, 2009.

The number of weighted average shares diluted is the same as the number of weighted average shares basic for the three and nine months ended September 30, 2009 and September 30, 2008 as the effect of stock options and restricted units (that are not participating securities) was excluded as its inclusion would have been antidilutive to the loss from continuing operations available to First Industrial Realty Trust, Inc. s common stockholders. If the loss from continuing operations available to First Industrial Realty Trust Inc. s common stockholders had been income, the dilutive effect of stock options and restricted units (that are not participating securities) would have been 0 and 188,990, respectively, for the three months ended September 30, 2009, 0 and 134,342, respectively, for the nine months ended September 30, 2009, 0 and 0, respectively, for the three months ended September 30, 2008, and 1,035 and 0, respectively, for the nine months ended September 30, 2008.

Unvested restricted units (that are not participating securities) aggregating 600,000 for the three and nine months ended September 30, 2009 were antidilutive as the issue price of these units was higher than the Company s average stock price during the respective periods and accordingly, was excluded from dilution computations. There were no restricted units (that are not participating securities) outstanding in 2008.

Additionally, options to purchase common stock of 141,034 for the three and nine months ended September 30, 2009 and 278,601 and 265,852 for the three and nine months ended September 30, 2008, respectively, were antidilutive as the strike price of these stock options was higher than the Company s average stock price during the respective periods and accordingly was excluded from dilution computations.

The 2011 Exchangeable Notes issued during 2006, which are convertible into common shares of the Company at a price of $50.93, were not included in the computation of diluted EPS as our average stock price did not exceed the strike price of the conversion feature.

11. Income Taxes

On August 24, 2009, the Company received a private letter ruling from the IRS granting favorable loss treatment under Sections 331 and 336 of the Internal Revenue Code on the tax liquidation of our old TRS. As a result, the Company completed a transaction on September 1, 2009 whereby approximately 75% of the assets formerly held by the old TRS are now held by FI LLC (which is wholly owned by the Operating Partnership). The remaining 25% of the assets are now held by FRIP (which is 99% owned by the new TRS). It is expected that the tax impact of the transaction will be a refund from the IRS of approximately $27,000, which the Company expects to receive before the end of the first quarter of 2010. However, the tax refund could be challenged by the IRS, or delayed by the Company s filing of the necessary tax returns on a date that is later than anticipated, or by other reasons that the Company does not foresee, any of which may result in a delay or a diminution of the expected tax refund.

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income taxes represent the tax effect of the temporary differences between the book and tax basis of assets and liabilities. Deferred tax assets (liabilities) of the TRSs include the following as of September 30, 2009 and December 31, 2008.

	September 30, 2009	December 31, 2008
Bad debt expense	$	$ 196
Investment in Joint Ventures	1,793	19,621
Fixed assets	1,259	9,625
Prepaid rent	35	494
Capitalized general and administrative expense under 263A		3,711
Deferred losses/gains		71
Accrued contingency loss		377
Restricted stock		2,326
Accrual for Restructuring Costs		751
Abandoned Project Costs		1,150
State net operating loss carrying forward		131
Valuation Allowance	(3,059)	(19,501)
Other	513	836
Total deferred tax assets	$ 541	$ 19,788
Straight-line rent	(541)	(1,936)
Fixed assets		(53)
Capitalized interest under 263A		(362)
Other		(243)
Total deferred tax liabilities	$ (541)	$ (2,594)
Total net deferred tax asset	$	$ 17,194

As of September 30, 2009 and December 31, 2008, the TRSs had net deferred tax assets of $0 and $17,194, after valuation allowances of $3,059 and $19,501 respectively. Included in net income for the TRS for the year ended December 31, 2008 is $39,073 of impairment loss in Equity in (Loss) Income of Joint Ventures. We recorded a valuation allowance to offset the deferred tax asset that was created by these impairments during the year ended December 31, 2008. The deferred tax assets and liabilities of the old TRS were eliminated on September 1, 2009 as FI LLC is a nontaxable entity. The deferred tax assets and liabilities as of September 30, 2009 represent those of the new TRS, and we have recorded a valuation allowance to offset the net deferred tax assets of the new TRS.

Michigan Tax Issue

As of December 31, 2008, we had paid approximately $1,400 (representing tax and interest for the years 1997-2000) to the State of Michigan regarding business loss carryforwards the appropriateness of which is the subject of current litigation initiated by us. On December 11, 2007, the Michigan Court of Claims rendered a decision against us regarding the business loss carryforwards. Also, the court ruled against us on an alternative position involving Michigan s Capital Acquisition Deduction. We filed an appeal to the Michigan Appeals Court in January 2008; however, as a result of the lower court s decision approximately $800 (representing tax and interest for the year 2001) had been accrued through June 30, 2009 for both tax and financial statement purposes.

On August 18, 2009, the Michigan Appeals Court issued a decision in our favor on the business loss carryforward issue. The Michigan Department of Treasury appealed the decision to the Michigan Supreme Court on

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 29, 2009; however, we believe there is a very low probability that the Michigan Supreme Court will accept the case. Therefore, in September 2009 the Company reversed its accrual of $800 (related to the 2001 tax year) and set up a receivable of $1,400 for the amount paid in 2006 (related to the 1997-2000 tax years), resulting in an aggregate reversal of prior tax expense of $2,200.

12. Impairment Charges

We adopted the fair value measurement provisions as of January 1, 2009, for the impairment of long-lived assets recorded at fair value. The new guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In connection with the our periodic review of the carrying values of our properties and due to continuing softness of the economy in certain markets and indications of current market values for comparable properties, we determined in the third quarter of 2009 that an impairment loss in the amount of $6,934 should be recorded to a certain property comprised of 0.2 million square feet of GLA in the Inland Empire market in California.

Additionally, during the three months ended September 30, 2009, we recorded a $3,879 impairment charge on our 2006 Net Lease Co-Investment Program interest (see Note 4).

The following table presents information about our impairment charges that were measured on a fair value basis for the nine months ended September 30, 2009. The table indicates the fair value hierarchy of the valuation techniques we utilized to determine fair value.

		Fair Value Measurements at September 30, 2009 Using:			
Description	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Gains (Losses)
Long-lived assets held and used	$ 3,830			$ 3,830	$ (6,934)
Unconsolidated Joint Venture investments	$ 3,645			$ 3,645	$ (3,879)

The non-cash impairment charge related to our consolidated asset is based upon the difference between the fair value of the property and its carrying value. The non-cash impairment charge related to our unconsolidated Joint Venture investments is based upon the difference between the fair value of our equity interest and our carrying value. The valuation of impaired real estate assets and investments is determined using widely accepted valuation techniques including discounted cash flow analysis on expected cash flows, the income capitalization approach considering prevailing market capitalization rates, analysis of recent comparable sale transactions and/or consideration of the amount that currently would be required to replace the asset, as adjusted for obsolescence. In general, we consider multiple valuation techniques when measuring the fair value of an investment, however; in certain circumstances, a single valuation technique may be appropriate.

13. Restructuring Costs

On October 24, 2008, the Compensation Committee (the Committee) of the Board of Directors (the Board) committed the Company to a plan to reduce organizational and overhead costs (the Plan). On December 12, 2008, the Committee and on February 25, 2009, the Board committed the Company to certain modifications to the Plan consisting of further organizational and overhead cost reductions. On September 25, 2009, the Committee committed the Company to certain additional modifications to the Plan consisting of further

FIRST INDUSTRIAL REALTY TRUST, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

organizational and overhead cost reductions. Implementation of these further cost reductions has begun and is expected to conclude during the fourth quarter of 2009.

For the three and nine months ended September 30, 2009, we recorded as restructuring costs a pre-tax charge of $1,380 and $6,196, respectively, to provide for employee severance and benefits ($1,203 and $5,284, respectively), costs associated with the termination of certain office leases ($(33) and $386, respectively) and other costs ($210 and $526, respectively) associated with implementing the restructuring plan. Included in employee severance costs is $219 and $2,978, respectively, of non-cash costs which represents the accelerated recognition of restricted stock expense for certain employees for the three and nine months ended September 30, 2009. At September 30, 2009, we have $2,493 included in Accounts Payable, Accrued Expenses and Other Liabilities, Net related to severance obligations, remaining lease payments and other costs incurred but not yet paid.

14. Stock Based Compensation

We recognized $2,826 and $4,592 for the three months ended September 30, 2009 and September 30, 2008, respectively, and $10,873 and $12,776 for the nine months ended September 30, 2009 and September 30, 2008, respectively, in compensation expense related to restricted stock/unit awards, of which $0 and $484, respectively, was capitalized for the three months ended September 30, 2009 and September 30, 2008, and $45 and $1,255, respectively, was capitalized for the nine months ended September 30, 2009 and September 30, 2008, in connection with development activities. At September 30, 2009, we have $12,302 in unrecognized compensation related to unvested restricted stock/unit awards. The weighted average period that the unrecognized compensation is expected to be recognized is 1.21 years. We did not award options to our employees or our directors during the nine months ended September 30, 2009 and September 30, 2008 and all outstanding options are fully vested; therefore, no stock-based employee compensation expense related to options is included in Net (Loss) Income Available to First Industrial Realty Trust, Inc. s Common Stockholders and Participating Securities.

On October 23, 2008, we granted stock appreciation rights (SARs) to our former interim Chief Executive Officer (who is currently Chairman of the Board of Directors of the Company) that entitles him to a special cash payment equal to the appreciation in value of 75,000 shares of our common stock. The payment is to be based on the excess of the closing price of our common stock on October 22, 2009 over $7.94, the closing price on the grant date. The award fully vested during the three months ended December 31, 2008 upon his acceptance of the position. Since the closing price of our stock on October 22, 2009 was less than $7.94, no payment was made.

At September 30, 2009, the fair value of the stock appreciation rights was determined using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2009
Stock price	